

118TH CONGRESS
1ST SESSION

H. R. 1731

To amend the Higher Education Act of 1965 to double the Pell Grant award amount, improve the Public Service Loan Forgiveness program, and reduce interest rates, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 22, 2023

Ms. WILSON of Florida (for herself, Mrs. MCBATH, Mr. COURTNEY, Mr. SABLAN, Ms. BONAMICI, Mr. GRIJALVA, Ms. ADAMS, and Mr. TAKANO) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on the Budget, 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

A BILL

To amend the Higher Education Act of 1965 to double the Pell Grant award amount, improve the Public Service Loan Forgiveness program, and reduce interest rates, 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,*

1 **SECTION 1. SHORT TITLE; EFFECTIVE DATE; TABLE OF**
 2 **CONTENTS.**

3 (a) **SHORT TITLE.**—This Act may be cited as the
 4 “Lowering Obstacles to Achievement Now Act” or the
 5 “LOAN Act”.

6 (b) **EFFECTIVE DATE.**—Except as otherwise ex-
 7 pressly provided herein, any amendment made by this Act
 8 to section 401, 473, or 484 of the Higher Education Act
 9 of 1965 (20 U.S.C. 1070a; 1087mm; 1091), as amended
 10 by the FAFSA Simplification Act (title VII of division FF
 11 of Public Law 116–260), shall take effect as if included
 12 in the FAFSA Simplification Act and subject to the effec-
 13 tive date of section 701(b) of such FAFSA Simplification
 14 Act, as amended by section 102(a) of the FAFSA Sim-
 15 plication Act Technical Corrections Act (division R of
 16 Public Law 117–103) (including the authorization pro-
 17 vided under section 102(c)(1)(A) of such Act).

18 (c) **TABLE OF CONTENTS.**—The table of contents of
 19 this Act is as follows:

Sec. 1. Short title; effective date; table of contents.

TITLE I—FEDERAL PELL GRANTS

Sec. 101. Doubling Federal Pell Grants and providing all Federal Pell Grants through mandatory funding.

Sec. 102. Providing increased Federal Pell Grants and other assistance for recipients of means-tested benefits.

Sec. 103. Federal aid eligibility for dreamer students.

Sec. 104. Restoring the total semesters of Federal Pell Grant eligibility.

Sec. 105. Reducing financial aid penalties from satisfactory academic progress determinations.

Sec. 106. Federal Pell Grants for graduate students.

TITLE II—AMENDMENTS TO TERMS AND CONDITIONS OF LOANS
AND REPAYMENT PLANS

PART A—DIRECT LOANS

- Sec. 201. Subsidized loans for graduate and professional students.
Sec. 202. Repeal of origination fees.
Sec. 203. Prepayment amounts.

PART B—AUTOMATIC ENROLLMENT IN INCOME-DRIVEN REPAYMENT FOR
CERTAIN BORROWERS

- Sec. 211. Notification and automatic enrollment procedures for borrowers who are delinquent on loans.
Sec. 212. Notification and automatic enrollment procedures for borrowers who are rehabilitating defaulted loans.
Sec. 213. Covered loan, income-driven repayment plan, and non-covered loan defined.
Sec. 214. Automatic recertification of income for income-driven repayment plans.
Sec. 215. Procedure and requirement for requesting tax return information from the IRS.

PART C—AMENDMENTS TO CERTAIN LOAN FORGIVENESS PROGRAMS

- Sec. 221. Amendments to terms and conditions of Public Service Loan Forgiveness.
Sec. 222. Loan forgiveness for teachers.

TITLE III—INTEREST CAPITALIZATION

- Sec. 301. Elimination of interest capitalization.
Sec. 302. Elimination of disclosure requirements relating to capitalization.

TITLE IV—INTEREST RATES

- Sec. 401. Interest rate provisions for new Federal student loans on or after July 1, 2024.
Sec. 402. Refinancing FFEL and Federal Direct Loans.
Sec. 403. Refinancing private student loans.

1 **TITLE I—FEDERAL PELL**
2 **GRANTS**
3 **SEC. 101. DOUBLING FEDERAL PELL GRANTS AND PRO-**
4 **VIDING ALL FEDERAL PELL GRANTS**
5 **THROUGH MANDATORY FUNDING.**

6 (a) AMOUNT OF MINIMUM FEDERAL PELL
7 GRANTS.—Section 401 of the Higher Education Act of
8 1965 (20 U.S.C. 1070a), as amended by title VII of divi-

1 sion FF of the FAFSA Simplification Act (Public Law
2 116–260), is amended—

3 (1) in subsection (a)(2)(F), by striking “10 per-
4 cent” and inserting “5 percent”;

5 (2) in subsection (b)—

6 (A) in paragraph (1)(B)(i), by striking
7 “paragraph (5)(A)” and inserting “paragraph
8 (5)”;

9 (B) by striking paragraph (5) and insert-
10 ing the following:

11 “(5) TOTAL MAXIMUM FEDERAL PELL
12 GRANT.—

13 “(A) AWARD YEAR 2024–2025.—For award
14 year 2024–2025, the total maximum Federal
15 Pell Grant award shall be \$10,000.

16 “(B) AWARD YEAR 2025–2026.—For award
17 year 2025–2026, the total maximum Federal
18 Pell Grant award shall be \$11,000.

19 “(C) AWARD YEAR 2026–2027.—For award
20 year 2026–2027, the total maximum Federal
21 Pell Grant award shall be \$12,000.

22 “(D) AWARD YEAR 2027–2028.—For award
23 year 2027–2028, the total maximum Federal
24 Pell Grant award shall be \$13,000.

1 “(E) AWARD YEAR 2028–2029.—For award
2 year 2028–2029, the total maximum Federal
3 Pell Grant award shall be \$14,000.

4 “(F) AWARD YEAR 2029–2030 AND SUBSE-
5 QUENT YEARS.—For award year 2029–2030,
6 and each subsequent award year, the total max-
7 imum Federal Pell Grant award shall be
8 \$14,000—

9 “(i) increased by the adjustment per-
10 centage for the award year for which the
11 amount under this subparagraph is being
12 determined; and

13 “(ii) rounded to the nearest \$50.

14 “(G) DEFINITION OF ADJUSTMENT PER-
15 CENTAGE.—In this paragraph, the term ‘adjust-
16 ment percentage,’ as applied to an award year,
17 is equal to the percentage increase in the Con-
18 sumer Price Index, as defined in section 478(f),
19 for the most recent calendar year ending prior
20 to the beginning of the award year.”;

21 (C) by striking paragraphs (6) and (7) and
22 inserting the following:

23 “(6) APPROPRIATION OF FUNDS.—There are
24 authorized to be appropriated, and there are appro-
25 priated, out of any money in the Treasury not other-

1 wise appropriated, such sums as may be necessary
2 for fiscal year 2024 and each subsequent fiscal year
3 to provide the total maximum Federal Pell Grant for
4 which a student shall be eligible under this section
5 during an award year.”; and

6 (D) by redesignating paragraphs (8) and
7 (9) as paragraphs (7) and (8), respectively;
8 (3) in subsection (d)(5)(B)(ii)—

9 (A) in subclause (I)(bb), by striking “or”
10 after the semicolon;

11 (B) in subclause (II)(bb)(CC), by striking
12 the period and inserting “; or”; and

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

14 “(III) during a period for which
15 the student did not receive a loan
16 under this title but for which, if the
17 student had received such a loan, such
18 loan would have been discharged
19 under the circumstances described in
20 subclause (II)(bb)(CC).”;

21 (4) by striking subsections (g) and (h); and

22 (5) by redesignating subsections (i) and (j) as
23 subsections (g) and (h), respectively.

24 (b) REPEAL OF SCORING REQUIREMENT.—

1 the FAFSA Simplification Act (Public Law 116–260), is
2 amended—

3 (1) in subparagraph (A)—

4 (A) in the matter preceding clause (i), by
5 striking “A student” and inserting “Except in
6 the case of a student with a student aid index
7 of less than zero, a student”;

8 (B) by striking clause (i); and

9 (C) by redesignating clauses (ii) and (iii)
10 as clauses (i) and (ii), respectively;

11 (2) by redesignating subparagraphs (B)
12 through (E) as subparagraphs (C) through (F), re-
13 spectively;

14 (3) by inserting after subparagraph (A) the fol-
15 lowing:

16 “(B) A student with a student aid index of
17 less than zero shall be eligible for a Federal
18 Pell Grant award that exceeds the total max-
19 imum Federal Pell Grant by an amount equal
20 to the amount by which the student’s student
21 aid index is less than zero.”;

22 (4) in subparagraph (C), as redesignated by
23 paragraph (2)—

24 (A) in the matter preceding clause (i), by
25 striking “subparagraph (A) for an academic

1 year,” and inserting “subparagraph (A), or an
2 increased Federal Pell Grant under subpara-
3 graph (B), for an academic year,”; and

4 (B) in clause (ii), by striking “, except that
5 a student aid index of less than zero shall be
6 considered to be zero for the purposes of this
7 clause”;

8 (5) in subparagraph (D), as redesignated by
9 paragraph (2), by striking “(A) or (B)” and insert-
10 ing “(A), (B), or (C)”;

11 (6) in subparagraph (E), as redesignated by
12 paragraph (2), by inserting “or an increased Federal
13 Pell Grant under subparagraph (B)” after “subpara-
14 graph (A)”;

15 (7) in subparagraph (F), as redesignated by
16 paragraph (2), by striking “or a minimum Federal
17 Pell Grant under subparagraph (C)” and inserting
18 “an increased Federal Pell Grant under subpara-
19 graph (B), or a minimum Federal Pell Grant under
20 subparagraph (D)”.

21 (b) SPECIAL STUDENT AID INDEX RULE FOR RE-
22 CIPIENTS OF MEANS-TESTED BENEFITS.—Section 473 of
23 the Higher Education Act of 1965 (20 U.S.C. 1087mm),
24 as amended by section 702(b) of the FAFSA Simplifica-

1 tion Act (Public Law 116–260), is amended by adding at
2 the end the following:

3 “(d) SPECIAL RULE FOR MEANS-TESTED BENEFIT
4 RECIPIENTS.—Notwithstanding subsection (b), for an ap-
5 plicant (or, as applicable, an applicant and spouse, or an
6 applicant’s parents) who, at any time during the previous
7 24-month period, received a benefit under a means-tested
8 Federal benefit program (or whose parent or spouse re-
9 ceived such a benefit, as applicable), the Secretary shall
10 for the purposes of this title consider the student aid index
11 as equal to –\$1,500 for the applicant.”.

12 **SEC. 103. FEDERAL AID ELIGIBILITY FOR DREAMER STU-**
13 **DENTS.**

14 Section 484 of the Higher Education Act of 1965 (20
15 U.S.C. 1091), as amended by section 702(n) of the
16 FAFSA Simplification Act (Public Law 116–260), is
17 amended—

18 (1) in subsection (a)(5), by inserting “, or be a
19 Dreamer student, as defined in subsection (u)” after
20 “becoming a citizen or permanent resident”; and

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

22 “(u) DREAMER STUDENTS.—

23 “(1) IN GENERAL.—In this section, the term
24 ‘Dreamer student’ means an individual who—

1 “(A)(i) is not a citizen or national of the
2 United States; and

3 “(ii) is inadmissible or deportable under
4 the Immigration and Nationality Act (8 U.S.C.
5 1101 et seq.); and

6 “(B)(i) in the case of such an individual
7 who was younger than 18 years of age on the
8 date on which the individual initially entered
9 the United States—

10 “(I) has earned a high school diploma,
11 the recognized equivalent of such diploma
12 from a secondary school, or a high school
13 equivalency diploma recognized by State
14 law, or is scheduled to complete the re-
15 quirements for such a diploma or equiva-
16 lent before the next academic year begins;

17 “(II) is enrolled at an institution of
18 higher education pursuant to subsection
19 (d);

20 “(III) has served in the uniformed
21 services (as such term is defined in section
22 101 of title 10, United States Code) for
23 not less than 2 years and, if discharged,
24 received an honorable discharge;

1 “(IV) has acquired a degree, certifi-
2 cate, or recognized postsecondary creden-
3 tial from an institution of higher education
4 or area career and technical education
5 school (as such term is defined in section
6 3 of the Carl D. Perkins Career and Tech-
7 nical Education Act of 2006 (20 U.S.C.
8 2302)); or

9 “(V) has completed not less than 2
10 years in a postsecondary program at an in-
11 stitution of higher education, or area ca-
12 reer and technical education school, in the
13 United States and has made satisfactory
14 academic progress, as defined in subsection
15 (c), during such time period; or

16 “(ii)(I) is, or at any time was, eligible for
17 a grant of deferred action pursuant to—

18 “(aa) the memorandum of the De-
19 partment of Homeland Security entitled
20 ‘Exercising Prosecutorial Discretion with
21 Respect to Individuals Who Came to the
22 United States as Children’ issued on June
23 15, 2012; or

24 “(bb) the memorandum of the De-
25 partment of Homeland Security entitled

1 ‘Exercising Prosecutorial Discretion with
2 Respect to Individuals Who Came to the
3 United States as Children and with Re-
4 spect to Certain Individuals Who Are the
5 Parents of U.S. Citizens or Permanent
6 Residents’ issued on November 20, 2014;
7 or

8 “(II) would have been eligible for such a
9 grant of deferred action if the applicable memo-
10 randum described in subclause (I) had been
11 fully in effect since the date on which it was
12 issued.

13 “(2) HARDSHIP EXCEPTION.—The Secretary
14 shall issue regulations that direct when the Depart-
15 ment shall waive the age requirement of paragraph
16 (1)(B)(i) for an individual to qualify as a Dreamer
17 student under such paragraph, if the individual dem-
18 onstrates compelling circumstances, such as eco-
19 nomic hardship (as defined in section 435(o)).”.

20 **SEC. 104. RESTORING THE TOTAL SEMESTERS OF FEDERAL**
21 **PELL GRANT ELIGIBILITY.**

22 Section 401(d)(5)(A) of the Higher Education Act of
23 1965, as added by section 703 of the FAFSA Simplifica-
24 tion Act (Public Law 116–260), is amended by striking
25 “12” each place the term appears and inserting “18”.

1 **SEC. 105. REDUCING FINANCIAL AID PENALTIES FROM SAT-**
2 **ISFACTORY ACADEMIC PROGRESS DETER-**
3 **MINATIONS.**

4 Section 484(c) of the Higher Education Act of 1965
5 (20 U.S.C. 1091(c)) is amended to read as follows:

6 “(c) SATISFACTORY PROGRESS.—

7 “(1) DEFINITIONS.—In this subsection:

8 “(A) APPEAL.—The term ‘appeal’ means a
9 process by which a student who is not meeting
10 the institution’s satisfactory academic progress
11 standards petitions the institution for reconsid-
12 eration of the student’s eligibility for assistance
13 under this title.

14 “(B) FINANCIAL AID PROBATION.—The
15 term ‘financial aid probation’ means a status
16 assigned by an institution to a student who fails
17 to make satisfactory academic progress and
18 who has appealed and has had eligibility for aid
19 reinstated.

20 “(C) FINANCIAL AID WARNING.—The term
21 ‘financial aid warning’ means a status assigned
22 to a student who fails to make satisfactory aca-
23 demic progress at the end of the semester or
24 equivalent period in which the student first fails
25 to make such progress.

1 “(D) PAYMENT PERIOD.—The term ‘pay-
2 ment period’ means the applicable payment pe-
3 riod described in section 668.4 of title 34, Code
4 of Federal Regulations, or any successor regula-
5 tion.

6 “(2) SATISFACTORY ACADEMIC PROGRESS POL-
7 ICY.—An institution shall establish a reasonable sat-
8 isfactory academic progress policy for determining
9 whether an otherwise eligible student is making sat-
10 isfactory academic progress in the student’s edu-
11 cational program and may receive assistance under
12 this title. The Secretary shall consider the institu-
13 tion’s policy to be reasonable if—

14 “(A) the policy is at least as strict as the
15 policy the institution applies to a student who
16 is not receiving assistance under this title;

17 “(B) the policy provides for consistent ap-
18 plication of standards to all students, including
19 full-time, part-time, undergraduate, and grad-
20 uate students, and all educational programs es-
21 tablished by the institution;

22 “(C)(i) the policy specifies the grade point
23 average that a student must achieve at each
24 evaluation, or if a grade point average is not an

1 appropriate qualitative measure, a comparable
2 assessment measured against a norm; and

3 “(ii) if a student is enrolled in an edu-
4 cational program of more than 2 academic
5 years, the policy specifies that at the end of the
6 second academic year, the student must have a
7 grade point average of at least a ‘C’ or its
8 equivalent, or have academic standing con-
9 sistent with the institution’s requirements for
10 graduation;

11 “(D) the policy provides for measurement
12 of the student’s progress at each evaluation;

13 “(E) the policy describes—

14 “(i) how a student’s grade point aver-
15 age and the pace at which the student pro-
16 gresses toward completion are affected by
17 course incompletes, withdrawals, or repeti-
18 tions, or transfers of credit from other in-
19 stitutions, including that credit hours from
20 another institution that are accepted to-
21 ward the student’s educational program
22 are counted as both attempted and com-
23 pleted hours; and

24 “(ii) how after a student reenrolls
25 after the student’s satisfactory academic

1 progress was reset pursuant to paragraph
2 (3)(B), the student may have any credits
3 that were earned before the student was
4 determined not to be making satisfactory
5 academic progress counted for purposes of
6 determining progress when the student re-
7 enrolls, but any attempted hours that were
8 not earned by the student (including in-
9 completes, withdrawn courses, and failed
10 courses) before the student was determined
11 not to be making satisfactory academic
12 progress will not negatively impact the de-
13 termination of whether the student made
14 satisfactory academic progress after such
15 reset;

16 “(F) the policy provides that, except as
17 provided in subparagraph (G) with respect to a
18 student placed on financial aid warning or fi-
19 nancial aid probation and paragraph (3), a stu-
20 dent is no longer eligible to receive assistance
21 under this title if the student has not achieved
22 the required grade point average or who is not
23 making progress toward completion in the stu-
24 dent’s educational program—

1 “(i) at the time of each evaluation
2 with respect to a student who is in an edu-
3 cational program of 2 academic years or
4 less in length; or

5 “(ii) at the end of the second aca-
6 demic year with respect to a student who
7 is in an educational program of more than
8 2 academic years in length;

9 “(G) the policy describes when students
10 will be placed on financial aid warning or finan-
11 cial aid probation, in accordance with para-
12 graph (4), and provides that—

13 “(i) a student on financial aid warn-
14 ing—

15 “(I) shall receive assistance
16 under this title for one payment pe-
17 riod despite a determination that the
18 student is not making satisfactory
19 academic progress; and

20 “(II) may be assigned such sta-
21 tus without an appeal or other action
22 by the student; and

23 “(ii)(I) a student on financial aid pro-
24 bation may receive assistance under this
25 title for one payment period and the insti-

1 tution may require the student to fulfill
2 specific terms and conditions, such as tak-
3 ing a reduced course load or enrolling in
4 specific courses; and

5 “(II) at the end of such one payment
6 period, the student is required to meet the
7 institution’s satisfactory academic progress
8 standards, or meet the requirements of the
9 academic plan developed by the institution
10 and the student, in order to qualify for
11 continued assistance under this title;

12 “(H) if the institution permits a student to
13 appeal a determination by the institution that
14 the student is not making satisfactory academic
15 progress, the policy describes—

16 “(i) how the student may reestablish
17 the student’s eligibility to receive assist-
18 ance under this title;

19 “(ii) the basis on which the student
20 may file an appeal, including because of
21 the death of a relative, an injury or illness
22 of the student, or another special cir-
23 cumstance; and

24 “(iii) information the student is re-
25 quired to submit regarding why the stu-

1 dent failed to make satisfactory academic
2 progress, and what has changed in the stu-
3 dent’s situation that will allow the student
4 to demonstrate satisfactory academic
5 progress at the next evaluation;

6 “(I) if the institution does not permit a
7 student to appeal a determination by the insti-
8 tution that the student is not making satisfac-
9 tory academic progress, the policy describes
10 how the student may reestablish the student’s
11 eligibility to receive assistance under this title;

12 “(J) the policy provides for notification to
13 students of the results of an evaluation that im-
14 pacts the student’s eligibility for assistance
15 under this title; and

16 “(K) the policy does not impose satisfac-
17 tory progress limitations on need-based institu-
18 tional aid that are more stringent than the
19 standard applied under this subsection without
20 demonstrating to the Secretary the effectiveness
21 of such limitations on improving student per-
22 sistence in, and completion of, postsecondary
23 study.

24 “(3) REGAINING ELIGIBILITY.—

1 “(A) STUDENTS WHO REMAIN IN
2 SCHOOL.—Whenever a student fails to meet the
3 eligibility requirements of subsection (a)(2) as a
4 result of the application of this subsection and,
5 subsequent to that failure, the student has aca-
6 demic standing for any grading period con-
7 sistent with the requirements for staying on
8 track to graduate within 150 percent of the
9 published length of the educational program, as
10 determined by the institution, the student shall
11 again be eligible under subsection (a)(2) for a
12 grant, loan, or work assistance under this title,
13 as long as the student maintains satisfactory
14 academic progress under paragraph (2) begin-
15 ning on and after the date that the student re-
16 gains eligibility.

17 “(B) STUDENTS WHO LEAVE SCHOOL.—

18 “(i) IN GENERAL.—If a student has
19 not been enrolled in any institution of
20 higher education for the immediately pre-
21 ceding 2 years, any previous failure to
22 meet the eligibility requirements of sub-
23 section (a)(2) shall not be used in any de-
24 termination of eligibility of such student
25 under such subsection. Such student shall,

1 on the date of enrollment subsequent to
2 such 2-year period, have the student's eli-
3 gibility for a grant, loan, or work assist-
4 ance under this title reset and be deemed
5 as meeting the requirements described in
6 paragraph (2). Beginning on and after
7 such date, the student's satisfactory aca-
8 demic progress shall be determined in ac-
9 cordance with paragraph (2)(E)(ii).

10 “(ii) MAXIMUM NUMBER OF
11 RESETS.—A student shall be eligible for a
12 reset of eligibility pursuant to this sub-
13 paragraph not more than 2 times.

14 “(C) DUTIES OF THE SECRETARY.—The
15 Secretary shall—

16 “(i) send, to each student who failed
17 to meet the eligibility requirements of sub-
18 section (a)(2) and who has not regained
19 eligibility for a grant, loan, or work assist-
20 ance under subparagraph (A), a notice,
21 two years after such failure, that in-
22 cludes—

23 “(I) a notification that, if the
24 student has not been enrolled in any
25 institution of higher education for the

1 preceding two years and has not re-
2 ceived two resets of eligibility under
3 subparagraph (B), the student may
4 use grant, loan, or work assistance
5 under this title for enrollment at any
6 eligible institution, including an insti-
7 tution other than the institution in
8 which the student was previously en-
9 rolled;

10 “(II) a notification that, if the
11 student has remained enrolled, or re-
12 sumed enrollment, at an institution of
13 higher education, the student may be
14 eligible for a grant, loan, or work as-
15 sistance under this title subject to the
16 requirements of subparagraph (A);

17 “(III) information on how many
18 semesters of eligibility for a grant,
19 loan, or work assistance under this
20 title to which the student still has ac-
21 cess; and

22 “(IV) a notification that the stu-
23 dent should ask any prospective eligi-
24 ble institution how many of the stu-

1 dent’s previously completed credits the
2 student would be able to transfer; and
3 “(ii) submit an annual report to Con-
4 gress on the outcomes of students who
5 have received a reset of eligibility pursuant
6 to this paragraph, including—

7 “(I) the number of students who
8 reenroll in an eligible institution after
9 such reset, disaggregated by race or
10 ethnicity, sex, age, socioeconomic sta-
11 tus, and disability status;

12 “(II) the 250 eligible institutions
13 with the highest numbers of enrolled
14 students receiving grant, loan, or
15 work assistance under this title after
16 such a reset;

17 “(III) the 250 eligible institu-
18 tions with the highest share of en-
19 rolled students receiving grant, loan,
20 or work assistance under this title
21 after such a reset; and

22 “(IV) the average completion
23 rate and time to completion for stu-
24 dents who reenroll in an eligible insti-

1 tution after such reset, disaggregated
2 by institution.

3 “(4) EVALUATION OF ACADEMIC PROGRESS.—

4 “(A) IN GENERAL.—An institution that
5 determines that a student is not making satis-
6 factory academic progress under its policy may
7 disburse funds provided through student finan-
8 cial assistance programs under this title (in-
9 cluding work-study programs under subtitle C)
10 to the student in accordance with subpara-
11 graphs (B), (C), and (D).

12 “(B) PAYMENT PERIOD FOLLOWING NOT
13 MAKING SATISFACTORY ACADEMIC PROGRESS.—
14 For the payment period following the payment
15 period in which a student did not make satis-
16 factory academic progress, the institution shall
17 place the student on financial aid warning and
18 disburse funds under this title to the student.

19 “(C) PAYMENT PERIOD FOLLOWING FI-
20 NANCIAL AID WARNING.—For the payment pe-
21 riod following a payment period during which a
22 student was on financial aid warning, the insti-
23 tution may place the student on financial aid
24 probation, and disburse funds under this title to
25 the student if—

1 “(i) the institution evaluates the stu-
2 dent’s progress and determines that stu-
3 dent did not make satisfactory academic
4 progress during the payment period the
5 student was on financial aid warning;

6 “(ii) the student appeals the deter-
7 mination; and

8 “(iii)(I) the institution determines
9 that the student should be able to meet the
10 institution’s satisfactory academic progress
11 standards by the end of the subsequent
12 payment period; or

13 “(II) the institution develops an aca-
14 demic plan for the student that, if fol-
15 lowed, will ensure that the student is able
16 to meet the institution’s satisfactory aca-
17 demic progress standards by a specific
18 point in time.

19 “(D) PAYMENT PERIOD FOLLOWING FI-
20 NANCIAL AID PROBATION.—A student on finan-
21 cial aid probation for a payment period may not
22 receive funds under this title for the subsequent
23 payment period unless the student makes satis-
24 factory academic progress or the institution de-
25 termines that the student met the requirements

1 specified by the institution in the academic plan
2 for the student developed under subparagraph
3 (C)(iii)(II).

4 “(E) FREQUENCY OF ACADEMIC PROGRESS
5 EVALUATION AND COMMUNICATION.—

6 “(i) IN GENERAL.—Subject to clause
7 (ii), for the purpose of determining wheth-
8 er presently enrolled students are main-
9 taining satisfactory progress, each institu-
10 tion of higher education that enrolls stu-
11 dents who receive any grant, loan, or work
12 assistance under this title shall review the
13 progress of such students at the end of
14 each payment period.

15 “(ii) SHORTER PAYMENT PERIODS.—
16 For each institution described in clause (i)
17 that has payment periods that are shorter
18 than on the semester system basis (such as
19 on a quarterly or trimester system basis or
20 by clock hour program or non-term pro-
21 gram), such institution shall review the
22 progress of presently enrolled students at
23 the end of each semester or equivalent pe-
24 riod of 12 to 18 weeks.

1 “(iii) FINANCIAL AID WARNING.—At
2 the end of each payment period (or, in the
3 case of an institution described in clause
4 (ii), at the end of each semester or equiva-
5 lent period), each institution shall send a
6 financial aid warning to presently enrolled
7 students that do not meet the grade point
8 average requirement described in para-
9 graph (2), or its equivalent or academic
10 standing consistent with the requirements
11 for graduation, as determined by the insti-
12 tution, that informs the students of their
13 risk of being determined to not be main-
14 taining satisfactory progress and therefore
15 losing eligibility for grant, loan, or work
16 assistance under this title and provides in-
17 formation on—

18 “(I) the specific criteria of the in-
19 stitution’s academic requirements that
20 the student is not meeting and the
21 specific improvements needed to meet
22 the requirements; and

23 “(II) how to meet with the stu-
24 dent’s academic advisor to get the
25 academic support the student needs.

1 “(5) DETAILING REQUIREMENTS TO STU-
2 DENTS.—Each institution of higher education that
3 enrolls students who receive any grant, loan, or work
4 assistance under this title shall detail the institu-
5 tion’s requirements regarding students maintaining
6 satisfactory academic progress—

7 “(A) to such students before the students
8 begin classes at the institution through a de-
9 tailed communication that may be separate
10 from a financial aid offer; and

11 “(B) on the financial aid webpage of the
12 website of the institution.

13 “(6) CONSUMER TESTING.—The Secretary—

14 “(A) shall conduct consumer testing to de-
15 velop exemplary practices and templates—

16 “(i) to support institutions of higher
17 education in carrying out paragraph (5);
18 and

19 “(ii) which shall be available as re-
20 sources for institutions of higher edu-
21 cation; and

22 “(B) shall not require the use of such
23 practices and templates by institutions of high-
24 er education.”.

1 **SEC. 106. FEDERAL PELL GRANTS FOR GRADUATE STU-**
2 **DENTS.**

3 Section 401 of the Higher Education Act of 1965 (20
4 U.S.C. 1070a), as amended by title VII of division FF
5 of the FAFSA Simplification Act (Public Law 116–260),
6 is amended—

7 (1) in subsection (b)(8)(A), by inserting “or as
8 a postbaccalaureate student in accordance with sub-
9 section (d)(1)” after “as an undergraduate”; and

10 (2) in subsection (d)—

11 (A) by amending paragraph (1) to read as
12 follows:

13 “(1) IN GENERAL.—The period during which a
14 student may receive Federal Pell Grants shall be the
15 period required for the completion of the first under-
16 graduate baccalaureate course of study being pur-
17 sued by that student at the institution at which the
18 student is in attendance except that—

19 “(A) any 1-year period during which the
20 student is enrolled in a noncredit or remedial
21 course of study as defined in paragraph (2)
22 shall not be counted for the purpose of this
23 paragraph; and

24 “(B) the period during which a student
25 may receive Federal Pell Grants shall also in-
26 clude the period required for the completion of

1 the first postbaccalaureate course of study in a
2 case in which—

3 “(i) the student received a Federal
4 Pell Grant during the period required for
5 the completion of the student’s first under-
6 graduate baccalaureate course of study for
7 at least 1 but fewer than 18 semesters, or
8 the equivalent of at least 1 but fewer than
9 18 semesters, as determined under para-
10 graph (5);

11 “(ii) the student would otherwise be
12 eligible for a Federal Pell Grant, but for
13 the completion of such baccalaureate
14 course of study; and

15 “(iii) the period during which the stu-
16 dent receives Federal Pell Grants does not
17 exceed the student’s duration limits under
18 paragraph (5).”; and

19 (B) in paragraph (2), by striking “or cer-
20 tificate” and inserting “, certificate, or first
21 postbaccalaureate degree”.

1 **TITLE II—AMENDMENTS TO**
2 **TERMS AND CONDITIONS OF**
3 **LOANS AND REPAYMENT**
4 **PLANS**

5 **PART A—DIRECT LOANS**

6 **SEC. 201. SUBSIDIZED LOANS FOR GRADUATE AND PROFES-**
7 **SIONAL STUDENTS.**

8 Section 455(a)(3) of the Higher Education Act of
9 1965 (20 U.S.C. 1087e(a)(3)) is amended—

10 (1) in subparagraph (A), in the matter pre-
11 ceding clause (i), by striking “subparagraph (B)”
12 and inserting “subparagraphs (B) and (C)”; and

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

14 “(C) AUTHORITY TO MAKE INTEREST SUB-
15 SIDIZED LOANS TO GRADUATE AND PROFES-
16 SIONAL STUDENTS.—For any period of instruc-
17 tion at an institution of higher education (as
18 defined in section 101 or section 102(a)(1)(C),
19 except that a graduate medical school, nursing
20 school, or a veterinary school, located outside
21 the United States that does not meet the re-
22 quirements of section 101(a)(4) shall be ex-
23 cluded) beginning on or after July 1, 2024, a
24 graduate or professional student shall be eligi-

1 ble to receive a Federal Direct Stafford loan
2 under this part.”.

3 **SEC. 202. REPEAL OF ORIGINATION FEES.**

4 Section 455(e)(2) of the Higher Education Act of
5 1965 (20 U.S.C. 1087e(c)(2)) is amended—

6 (1) by striking “and” at the end of subpara-
7 graph (D); and

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

9 “(E) by substituting ‘0.0 percent’ for ‘4.0
10 percent’ with respect to loans for which the first
11 disbursement of principal is made on or after
12 July 1, 2024.”.

13 **SEC. 203. PREPAYMENT AMOUNTS.**

14 Section 455(d) of the Higher Education Act of 1965
15 (20 U.S.C. 1087e(d)) is amended by adding at the end
16 the following:

17 “(6) APPLICATION OF PREPAYMENT
18 AMOUNTS.—

19 “(A) REQUIREMENT FOR ELIGIBLE BOR-
20 ROWERS.—

21 “(i) IN GENERAL.—Notwithstanding
22 any other provision of this subsection or
23 any other provision of law—

24 “(I) with respect to loans made
25 to an eligible borrower under this part

1 or part B, which are held by the same
2 holder and which have different appli-
3 cable rates of interest, the holder of
4 such loans shall, unless otherwise re-
5 quested by the borrower in writing,
6 apply the borrower's prepayment
7 amount (within the meaning of sec-
8 tion 682.209(b) of title 34, Code of
9 Federal Regulations, or a successor
10 regulation) for one or more of such
11 loans, first toward the outstanding
12 balance of principal due on the loan
13 with the highest applicable rate of in-
14 terest among such loans; and

15 “(II) except as provided in sub-
16 clause (I), with respect to loans made
17 to an eligible borrower under this part
18 or part B, which are held by the same
19 holder and which have the same appli-
20 cable rates of interest, the holder of
21 such loans shall, unless otherwise re-
22 quested by the borrower in writing,
23 apply the borrower's prepayment
24 amount (within the meaning of sec-
25 tion 682.209(b) of title 34, Code of

1 Federal Regulations, or a successor
2 regulation) for one or more of such
3 loans, first toward the outstanding
4 balance of principal due on the loan
5 with the highest principal balance
6 among such loans.

7 “(ii) ELIGIBLE BORROWER DE-
8 FINED.—For purposes of this paragraph,
9 the term ‘eligible borrower’ means a bor-
10 rower with no outstanding balance of fees,
11 including collection costs and authorized
12 late charges, due on any loan made under
13 this part or part B.

14 “(B) REQUIREMENT FOR OTHER BOR-
15 ROWERS.—A prepayment amount (as described
16 in subparagraph (A)(i)) made by a borrower
17 who is not an eligible borrower to a holder shall
18 be applied first toward the borrower’s out-
19 standing balance of fees, including collection
20 costs and authorized late charges, due on any
21 loan made under this part or part B held by
22 such holder.”.

1 **PART B—AUTOMATIC ENROLLMENT IN INCOME-**
2 **DRIVEN REPAYMENT FOR CERTAIN BORROWERS**
3 **SEC. 211. NOTIFICATION AND AUTOMATIC ENROLLMENT**
4 **PROCEDURES FOR BORROWERS WHO ARE**
5 **DELINQUENT ON LOANS.**

6 Section 455(d) of the Higher Education Act of 1965
7 (20 U.S.C. 1087e(d)), as amended by this Act, is further
8 amended by adding at the end the following:

9 “(9) NOTIFICATION AND AUTOMATIC ENROLL-
10 MENT PROCEDURES FOR BORROWERS WHO ARE DE-
11 LINQUENT ON LOANS.—

12 “(A) AUTHORITY TO OBTAIN INCOME IN-
13 FORMATION.—The Secretary shall establish and
14 implement, with respect to any borrower de-
15 scribed in subparagraph (B), procedures to—

16 “(i) use return information of the bor-
17 rower (and the borrower’s spouse, if appli-
18 cable) disclosed under section 6103(l)(13)
19 of the Internal Revenue Code of 1986, pur-
20 suant to approval provided under section
21 494, to determine the income and family
22 size of the borrower (and the borrower’s
23 spouse, if applicable) without further ac-
24 tion by the borrower;

25 “(ii) allow the borrower (or the spouse
26 of the borrower), at any time, to opt out

1 of disclosure under such section
2 6103(l)(13) and instead provide such infor-
3 mation as the Secretary may require to de-
4 termine the income and family size of the
5 borrower (and the borrower’s spouse, if ap-
6 plicable); and

7 “(iii) provide the borrower with an op-
8 portunity to update the return information
9 so disclosed before the determination of the
10 income and family size of the borrower for
11 purposes of this paragraph.

12 “(B) BORROWER NOTIFICATION.—With re-
13 spect to each borrower of a covered loan who is
14 at least 31 days delinquent on such loan and
15 who has not been subject to the procedures
16 under this paragraph for such loan in the pre-
17 ceding 62 days, the Secretary shall, as soon as
18 practicable after such 31-day delinquency, pro-
19 vide to the borrower the following:

20 “(i) Notification that the borrower is
21 at least 31 days delinquent on at least 1
22 covered loan, and a description of all delin-
23 quent covered loans, nondelinquent covered
24 loans, and noncovered loans of the bor-
25 rower.

1 “(ii) A brief description of the repay-
2 ment plans for which the borrower is eligi-
3 ble and the covered loans and noncovered
4 loans of the borrower that may be eligible
5 for such plans, based on information avail-
6 able to the Secretary.

7 “(iii) The amount of monthly pay-
8 ments for the covered and noncovered
9 loans under each repayment plan identified
10 under clause (ii), based on information
11 available to the Secretary, including, if the
12 income information of the borrower is
13 available to the Secretary under subpara-
14 graph (A), the income, family size, tax fil-
15 ing status, and tax year information on
16 which each such monthly payment is
17 based.

18 “(iv) Clear and simple instructions on
19 how to select the repayment plans.

20 “(v) An explanation that, in the case
21 of a borrower for whom adjusted gross in-
22 come is unavailable—

23 “(I) if the borrower selects to
24 repay the covered loans of such bor-
25 rower pursuant to an income-driven

1 repayment plan that defines discre-
2 tionary income in such a manner that
3 an individual not required under sec-
4 tion 6012(a)(1) of the Internal Rev-
5 enue Code of 1986 to file a return
6 with respect to income taxes imposed
7 by subtitle A of such Code may have
8 a calculated monthly payment greater
9 than \$0, the borrower will be required
10 to provide the Secretary with other
11 documentation of income satisfactory
12 to the Secretary, which documentation
13 the Secretary may use to determine
14 an appropriate repayment schedule;
15 and

16 “(II) if the borrower selects to
17 repay such loans pursuant to an in-
18 come-driven repayment plan that is
19 not described in subclause (I), the
20 borrower will not be required to pro-
21 vide the Secretary with such other
22 documentation of income, and the bor-
23 rower will have a calculated monthly
24 payment of \$0.

1 “(vi) An explanation that the Sec-
2 retary shall take the actions under sub-
3 paragraph (C) with respect to such bor-
4 rower, if—

5 “(I) the borrower is 80 days de-
6 linquent on 1 or more covered loans
7 and has not selected a new repayment
8 plan for the covered loans of the bor-
9 rower; and

10 “(II) in the case of such a bor-
11 rower whose existing repayment plan
12 for the covered loans of the borrower
13 is not an income-driven repayment
14 plan, the monthly payments under
15 such existing repayment plan are
16 higher than such monthly payments
17 would be under an income-driven re-
18 payment plan.

19 “(vii) Instructions on updating the in-
20 formation of the borrower obtained under
21 subparagraph (A).

22 “(C) SECRETARY’S SELECTION OF A
23 PLAN.—With respect to each borrower de-
24 scribed in subparagraph (B) whose existing re-
25 payment plan for the covered loans of the bor-

1 rower is described in clause (vi)(II) of subpara-
2 graph (B), and who has not selected a new re-
3 payment plan for such loans in accordance with
4 the notice received under such subparagraph
5 and who is at least 80 days delinquent on such
6 a loan, the Secretary shall, as soon as prac-
7 ticable—

8 “(i) in a case in which any of the bor-
9 rower’s covered loans are eligible for an in-
10 come-driven repayment plan—

11 “(I)(aa) provide the borrower
12 with the income-driven repayment
13 plan that requires the lowest monthly
14 payment amount for each covered loan
15 of the borrower, compared to any
16 other such plan for which the bor-
17 rower is eligible; or

18 “(bb) if more than one income-
19 driven repayment plan would offer the
20 borrower the same lowest monthly
21 payment amount, provide the bor-
22 rower with the income-driven repay-
23 ment plan that has the most favorable
24 terms for the borrower;

1 “(II) if the plan selected under
2 subclause (I) is not the income-driven
3 repayment plan that would have the
4 lowest monthly payment amount if the
5 borrower were eligible for such plan
6 for the borrower’s covered loans and
7 noncovered loans, notify the borrower
8 of the actions, if any, the borrower
9 may take to become eligible for such
10 income-driven repayment plan; and

11 “(III) authorize the borrower to
12 change the Secretary’s selection of a
13 plan under this clause to any plan de-
14 scribed in paragraph (1) for which the
15 borrower is eligible; and

16 “(ii) in a case in which none of the
17 borrower’s covered loans are eligible for an
18 income-driven repayment plan, notify the
19 borrower of the actions, if any, the bor-
20 rower may take for such loans to become
21 eligible for such a plan.”.

1 **SEC. 212. NOTIFICATION AND AUTOMATIC ENROLLMENT**
2 **PROCEDURES FOR BORROWERS WHO ARE**
3 **REHABILITATING DEFAULTED LOANS.**

4 Section 455(d) of the Higher Education Act of 1965
5 (20 U.S.C. 1087e(d)), as amended by this Act, is further
6 amended by adding at the end the following:

7 “(10) NOTIFICATION AND AUTOMATIC ENROLL-
8 MENT PROCEDURES FOR BORROWERS WHO ARE RE-
9 HABILITATING DEFAULTED LOANS.—

10 “(A) AUTHORITY TO OBTAIN INCOME IN-
11 FORMATION.—The Secretary shall establish and
12 implement, with respect to any borrower who is
13 rehabilitating a covered loan pursuant to sec-
14 tion 428F(a), procedures to—

15 “(i) use return information of the bor-
16 rower (and the borrower’s spouse, if appli-
17 cable) disclosed section 6103(l)(13) of the
18 Internal Revenue Code of 1986, pursuant
19 to approval provided under section 494, to
20 obtain such information as is reasonably
21 necessary regarding the income and family
22 size of the borrower (and the borrower’s
23 spouse, if applicable);

24 “(ii) allow the borrower (or the spouse
25 of the borrower), at any time, to opt out
26 of disclosure under such section

1 6103(l)(13) and instead provide such infor-
2 mation as the Secretary may require to ob-
3 tain such information; and

4 “(iii) provide the borrower with an op-
5 portunity to update the return information
6 so disclosed before the determination of in-
7 come and family size of the borrower (and
8 the borrower’s spouse, if applicable) for
9 purposes of this paragraph.

10 “(B) BORROWER NOTIFICATION.—Not
11 later than 30 days after a borrower makes the
12 6th payment required on such covered loan for
13 the loan rehabilitation described in subpara-
14 graph (A), the Secretary shall notify the bor-
15 rower of the process under subparagraph (C)
16 with respect to such loan.

17 “(C) SECRETARY’S SELECTION OF PLAN.—
18 With respect to each borrower who has made
19 the 9th payment required on such covered loan
20 for the loan rehabilitation described in subpara-
21 graph (A), the Secretary shall, as soon as prac-
22 ticable after such payment, carry out the proce-
23 dures described in clauses (i) and (ii) of para-
24 graph (9)(C) with respect to such loan.”.

1 **SEC. 213. COVERED LOAN, INCOME-DRIVEN REPAYMENT**
2 **PLAN, AND NON-COVERED LOAN DEFINED.**

3 Section 455(d) of the Higher Education Act of 1965
4 (20 U.S.C. 1087e(d)), as amended by this Act, is further
5 amended by adding at the end the following:

6 “(11) DEFINITIONS.—In this subsection:

7 “(A) COVERED LOAN.—The term ‘covered
8 loan’ means—

9 “(i) a loan made under this part;

10 “(ii) a loan purchased under section
11 459A; or

12 “(iii) a loan that has been assigned to
13 the Secretary under subsection (c)(8) or
14 (j)(3)(B) of section 428, or subsection
15 (a)(1)(A)(ii) or (a)(1)(G) of section 428F.

16 “(B) INCOME-DRIVEN REPAYMENT
17 PLAN.—The term ‘income-driven repayment
18 plan’ means a repayment plan described in sub-
19 paragraph (D) or (E) of paragraph (1).

20 “(C) NONCOVERED LOAN.—The term
21 ‘noncovered loan’ means a loan made, insured,
22 or guaranteed under this title that is not a cov-
23 ered loan.”.

1 **SEC. 214. AUTOMATIC RECERTIFICATION OF INCOME FOR**
2 **INCOME-DRIVEN REPAYMENT PLANS.**

3 (a) INCOME-CONTINGENT REPAYMENT PLANS.—Sec-
4 tion 455(e)(8)(A) of the Higher Education Act of 1965
5 (20 U.S.C. 1087e(e)(8)(A)) is amended—

6 (1) by striking “and” at the end of clause (ii);

7 (2) by redesignating clause (iii) as clause (iv);

8 (3) in clause (iv) (as so redesignated), by strik-
9 ing the period at the end and inserting “; and”; and

10 (4) by inserting after clause (ii), the following:

11 “(iii) in the case of a borrower who
12 has selected to repay a loan made under
13 this part pursuant to an income contingent
14 repayment plan that defines discretionary
15 income in such a manner that the borrower
16 would have a calculated monthly payment
17 equal to \$0, not require the borrower to
18 provide the Secretary the information de-
19 scribed in clause (i) or (ii), and ensure that
20 the borrower will have a calculated month-
21 ly payment of \$0; and”.

22 (b) INCOME-BASED REPAYMENT PLANS.—Section
23 493C(c)(2)(B) of the Higher Education Act of 1965 (20
24 U.S.C. 1098e(c)(2)(B)) is amended by striking “any loan
25 made under part D (other than an excepted PLUS loan

1 or excepted consolidation loan)” and inserting “any cov-
2 ered loan (as defined in section 455(d)(11))”.

3 **SEC. 215. PROCEDURE AND REQUIREMENT FOR REQUEST-**
4 **ING TAX RETURN INFORMATION FROM THE**
5 **IRS.**

6 Section 494(a) of the Higher Education Act of 1965
7 (20 U.S.C. 1098h(a)) is amended—

8 (1) in paragraph (2)—

9 (A) in subparagraph (A), in the matter
10 preceding clause (i), by striking “a loan under
11 part D” and inserting “a covered loan (as de-
12 fined in section 455(d)(11))”; and

13 (B) in subparagraph (B), by striking “a
14 loan under part D” and inserting “a covered
15 loan (as defined in section 455(d)(11))”; and

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

17 “(4) LOAN DELINQUENCY AND REHABILITA-
18 TION.—

19 “(A) BORROWERS DELINQUENT ON
20 LOANS.—In the case of an individual who is a
21 borrower of a covered loan and who is at least
22 31 days delinquent on such loan, the Secretary,
23 with respect to such individual and any spouse
24 of such individual, shall—

1 “(i) provide to such individuals the
2 notification described in paragraph
3 (1)(A)(i); and

4 “(ii) require, as a condition of eligi-
5 bility for the notification and automatic en-
6 rollment procedures under section
7 455(d)(9), that such individuals—

8 “(I) affirmatively approve the
9 disclosure described in paragraph
10 (1)(A)(i) and agree that such approval
11 shall serve as an ongoing approval of
12 such disclosure until the date on
13 which the individual elects to opt out
14 of such disclosure under section
15 455(d)(9)(A)(ii); or

16 “(II) provide such information as
17 the Secretary may require to carry
18 out the procedures under section
19 455(d)(9) with respect to such indi-
20 vidual.

21 “(B) LOAN REHABILITATION.—In the case
22 of any written or electronic application by an
23 individual for the rehabilitation of a covered
24 loan pursuant to section 428F(a), the Sec-

1 retary, with respect to such individual and any
2 spouse of such individual, shall—

3 “(i) provide to such individuals the
4 notification described in paragraph
5 (1)(A)(i); and

6 “(ii) require, as a condition of eligi-
7 bility for loan rehabilitation pursuant to
8 section 428F(a), that such individuals—

9 “(I) affirmatively approve the
10 disclosure described in paragraph
11 (1)(A)(i) and agree that such approval
12 shall serve as an ongoing approval of
13 such disclosure until the date on
14 which the individual elects to opt out
15 of such disclosure under section
16 455(d)(10)(A)(ii); or

17 “(II) provide such information as
18 the Secretary may require to carry
19 out the procedures under section
20 455(d)(10) with respect to such indi-
21 vidual.

22 “(C) COVERED LOAN DEFINED.—In this
23 paragraph, the term ‘covered loan’ has the
24 meaning given the term in section 455(d)(11).”.

1 **PART C—AMENDMENTS TO CERTAIN LOAN**
2 **FORGIVENESS PROGRAMS**

3 **SEC. 221. AMENDMENTS TO TERMS AND CONDITIONS OF**
4 **PUBLIC SERVICE LOAN FORGIVENESS.**

5 (a) NUMBER OF MONTHLY PAYMENTS; REPAYMENT
6 PLANS.—Paragraph (1) of section 455(m) of the Higher
7 Education Act of 1965 (20 U.S.C. 1087e(m)) is amend-
8 ed—

9 (1) in subparagraph (A)—

10 (A) in the matter preceding clause (i), by
11 striking “120” and inserting “96”;

12 (B) by striking “or” at the end of clause
13 (iii);

14 (C) in clause (iv), by striking “and” and
15 inserting “or”; and

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

17 “(v) in lieu of such a payment, has
18 been in—

19 “(I) cancer treatment deferment
20 under section 427(a)(2)(C)(iv),
21 428(b)(1)(M)(v), or 455(f)(3);

22 “(II) rehabilitation training pro-
23 gram deferment under section
24 427(a)(2)(C)(i)(II),
25 428(b)(1)(M)(i)(II), or
26 455(f)(2)(A)(ii);

1 “(III) military service deferment
2 under section 428(b)(1)(M)(iii) or
3 455(f)(2)(C);

4 “(IV) unemployment deferment
5 under section 427(a)(2)(C)(ii),
6 428(b)(1)(M)(ii), 428B(d)(1)(A)(i), or
7 455(f)(2)(B);

8 “(V) deferment due to an eco-
9 nomic hardship described in section
10 427(a)(2)(C)(iii), section
11 428(b)(1)(M)(iv), section
12 428B(d)(1)(A)(i), section 435(o), or
13 section 455(f)(2)(D);

14 “(VI) Peace Corps service
15 deferment under section
16 682.210(b)(2)(ii) or 682.210(k) of
17 title 34, Code of Federal Regulations
18 (or successor regulations), as made
19 applicable to Direct Loan borrowers
20 under section 685.204(j) of such title
21 34;

22 “(VII) has been in post-active-
23 duty student deferment under section
24 493D;

1 “(VIII) AmeriCorps forbearance
2 under section 428(c)(3)(A)(i)(III);

3 “(IX) National Guard Duty for-
4 bearance under section
5 682.211(h)(2)(iii) or 685.205(a)(7) of
6 title 34, Code of Federal Regulations
7 (or successor regulations);

8 “(X) Department of Defense stu-
9 dent loan repayment program forbear-
10 ance under section
11 428(c)(3)(A)(i)(IV);

12 “(XI) Administrative forbearance
13 or mandatory administrative forbear-
14 ance under section 428(c)(3)(D) or
15 428H(e)(7); or

16 “(XII) Student loan debt burden
17 forbearance under section
18 428(c)(3)(A)(i)(II); and”;

19 (2) in subparagraph (B), by striking “(i) is em-
20 ployed” and all that follows through “has been” and
21 inserting “has been”.

22 (b) AUTOMATIC CANCELLATION.—Paragraph (2) of
23 section 455(m) of the Higher Education Act of 1965 (20
24 U.S.C. 1087e(m)(2)) is amended by adding at the end the
25 following: “In the case of a borrower who meets the re-

1 requirements under paragraph (1) for such cancellation,
2 such cancellation shall occur without further action by the
3 borrower.”.

4 (c) TREATMENT OF REFINANCED LOANS; ON-LINE
5 PORTAL; DATABASE OF PUBLIC SERVICE JOBS.—Section
6 455(m) of such Act (20 U.S.C. 1087e(m)) is further
7 amended—

8 (1) by redesignating paragraphs (3) and (4) as
9 paragraphs (6) and (7), respectively; and

10 (2) by inserting after paragraph (2) the fol-
11 lowing:

12 “(3) TREATMENT OF LOANS REFINANCED
13 UNDER SECTIONS 460A.—In the case of an eligible
14 refinanced Federal Direct Loan under section 460A,
15 any monthly payment pursuant to any repayment
16 plan listed in paragraph (1)(A) (including a period
17 of deferment or forbearance described in paragraph
18 (1)(A)(v)) made on a loan, for which the liability has
19 been discharged by such refinanced loan and without
20 regard to whether such loan is an eligible Federal
21 Direct Loan, shall be treated as a monthly payment
22 under paragraph (1)(A) on the portion of such refi-
23 nanced loan that is attributable to such discharged
24 loan.

25 “(4) ON-LINE PORTAL.—

1 “(A) BORROWERS.—The Secretary shall
2 ensure that borrowers have access to an on-line
3 portal that provides each borrower who signs on
4 to such portal with the following:

5 “(i) Instructions on how to access the
6 database under paragraph (5) so that the
7 borrower can determine whether the bor-
8 rower is employed in a public service job.

9 “(ii) An identification of the loans of
10 the borrower that are eligible Federal Di-
11 rect Loans.

12 “(iii) With respect to each such eligi-
13 ble Federal Direct Loan, the number of
14 monthly payments on such loan that qual-
15 ify as a monthly payment under paragraph
16 (1)(A), and the estimated number of
17 monthly payments under paragraph (1)(A)
18 remaining on such loan before the bor-
19 rower may be eligible for loan cancellation
20 under this subsection.

21 “(iv) With respect to each loan of the
22 borrower that is not eligible for loan can-
23 cellation under this subsection, an expla-
24 nation of why the loan is not so eligible
25 and instructions on how what, if anything,

1 the borrower may do to make the loan so
2 eligible.

3 “(v) Instructions for the submission of
4 any forms associated with such loan can-
5 cellation, and an ability for the borrower to
6 use the portal to electronically sign and
7 submit such forms.

8 “(vi) In the case of a borrower who
9 disputes a determination of the Secretary
10 relating to the entitlement of the borrower
11 to loan cancellation under paragraph (2)—

12 “(I) an ability for the borrower
13 to file a claim with the Secretary to
14 dispute such determination through
15 the portal; and

16 “(II) in the case of such a claim
17 that has been filed, the status of such
18 claim, for which updates shall be pro-
19 vided not fewer than once every 90
20 days.

21 “(B) EMPLOYERS.—The Secretary shall
22 ensure that an employer of a borrower has the
23 option to electronically sign and submit any
24 forms associated with loan cancellation under
25 this subsection.

1 “(C) INFORMATION.—The Secretary shall
2 ensure that any information provided through
3 the on-line portal described in this paragraph is
4 up-to-date information.

5 “(5) DATABASE OF PUBLIC SERVICE JOBS.—

6 “(A) IN GENERAL.—The Secretary, in con-
7 sultation with the Secretary of Labor, shall es-
8 tablish and regularly update a database that
9 lists public service jobs.

10 “(B) PUBLIC AVAILABILITY.—The data-
11 base established under subparagraph (A) shall
12 be made available on a publicly accessible
13 website of the Department in an easily search-
14 able format.”.

15 (d) DEFINITIONS.—Section 455(m) of such Act is
16 further amended in paragraph (6)(A) (as so redesignated
17 by subsection (c))—

18 (1) by inserting before the period at the end the
19 following: “(including any Federal Direct Stafford
20 Loan, Federal Direct PLUS Loan, Federal Direct
21 Unsubsidized Stafford Loan, or Federal Direct Con-
22 solidation Loan refinanced under section 460A)”;

23 (2) by striking “The term” and inserting the
24 following:

25 “(i) IN GENERAL.—The term”; and

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

2 “(ii) TREATMENT OF CERTAIN CON-
3 SOLIDATION LOAN PAYMENTS.—In the
4 case of an eligible Federal Direct Loan
5 that is a Federal Direct Consolidation
6 Loan made on or after the date of enact-
7 ment of the LOAN Act, any monthly pay-
8 ment pursuant to any repayment plan list-
9 ed in paragraph (1)(A) (including a period
10 of deferment or forbearance described in
11 paragraph (1)(A)(v)) made on a loan, for
12 which the liability has been discharged by
13 the proceeds of such Federal Direct Con-
14 solidation Loan and without regard to
15 whether the loan is an eligible Federal Di-
16 rect Loan, shall be treated as a monthly
17 payment under paragraph (1)(A) on the
18 portion of such Federal Direct Consolida-
19 tion Loan that is attributable to such dis-
20 charged loan, except that in a case of a
21 borrower who previously received a Federal
22 Direct Consolidation Loan, any monthly
23 payment made on a loan for which the li-
24 ability has been discharged by such pre-
25 vious consolidation loan shall not be treat-

1 ed as a monthly payment on a portion of
2 the subsequent Federal Direct Consolida-
3 tion Loan made on or after such date of
4 enactment.”.

5 (e) TREATMENT OF DOUBLE BENEFITS.—Section
6 455(m) of such Act is further amended in paragraph (7)
7 (as so redesignated by subsection (c)) by striking “both
8 this subsection and section 428J, 428K, 428L, or 460”
9 and inserting “both this subsection and section 428K or
10 428L”.

11 **SEC. 222. LOAN FORGIVENESS FOR TEACHERS.**

12 The Higher Education Act of 1965 (20 U.S.C. 1001
13 et seq.) is further amended—

14 (1) in section 428J(g)(2) (20 U.S.C. 1078–
15 10(g)(2))—

16 (A) in subparagraph (A), by inserting “or”
17 after the semicolon at the end;

18 (B) by striking subparagraph (B); and

19 (C) by redesignating subparagraph (C) as
20 subparagraph (B); and

21 (2) in section 460(g)(2) (20 U.S.C.
22 1087j(g)(2))—

23 (A) in subparagraph (A), by inserting “or”
24 after the semicolon at the end;

25 (B) by striking subparagraph (B); and

1 (C) by redesignating subparagraph (C) as
 2 subparagraph (B).

3 **TITLE III—INTEREST**
 4 **CAPITALIZATION**

5 **SEC. 301. ELIMINATION OF INTEREST CAPITALIZATION.**

6 (a) FEDERAL PLUS LOANS.—Section 428B(d)(2) of
 7 the Higher Education Act of 1965 (20 U.S.C. 1078–
 8 2(d)(2)) is amended to read as follows:

9 “(2) NO CAPITALIZATION OF INTEREST.—Inter-
 10 est on loans made under this section for which pay-
 11 ments of principal are deferred pursuant to para-
 12 graph (1) shall be paid by the borrower and shall
 13 not be capitalized.”.

14 (b) FEDERAL CONSOLIDATION LOANS DEFER-
 15 RALS.—Section 428C(b)(4)(C)(ii)(III) of the Higher Edu-
 16 cation Act of 1965 (20 U.S.C. 1078–3(b)(4)(C)(III)) is
 17 amended by striking “or capitalized,”.

18 (c) DEFAULT REDUCTION PROGRAM.—Section
 19 428F(a)(1)(E) of such Act of 1965 (20 U.S.C. 1078–
 20 6(a)(1)(E)) is amended to read as follows:

21 “(E) DUTIES UPON ASSIGNMENT.—With
 22 respect to a loan assigned under subparagraph
 23 (A)(ii)—

24 “(i) the guaranty agency shall add to
 25 the principal and interest outstanding at

1 the time of the assignment of such loan an
2 amount equal to the amount described in
3 subparagraph (D)(i)(II)(aa);

4 “(ii) the Secretary shall pay the guar-
5 anty agency, for deposit in the agency’s
6 Operating Fund established pursuant to
7 section 422B, an amount equal to the
8 amount added to the principal and interest
9 outstanding at the time of the assignment
10 in accordance with clause (i);

11 “(iii) for a loan assigned on or after
12 the date of enactment of the LOAN Act,
13 the interest outstanding at the time of the
14 assignment of such loan, and any interest
15 accruing after such time, shall not be cap-
16 italized; and

17 “(iv) beginning on the date of enact-
18 ment of LOAN Act, interest shall only ac-
19 crue on the percentage of such a loan that
20 is equal to—

21 “(I) the amount of the out-
22 standing principal on the original loan
23 on the date it was assigned; divided
24 by

1 “(II) the total amount of such
2 assigned loan, including interest out-
3 standing at the time of the assign-
4 ment of such loan and the amount
5 added by the guaranty agency in ac-
6 cordance with clause (i), on the date
7 such loan was assigned.”.

8 (d) LOAN LIMITS FOR UNSUBSIDIZED STAFFORD
9 LOANS.—Section 428H(d)(5) of the Higher Education
10 Act of 1965 (20 U.S.C. 1078–8(d)(5)) is amended by in-
11 serting “before the date of enactment of the LOAN Act”
12 after “Interest capitalized”.

13 (e) UNSUBSIDIZED STAFFORD LOANS FOR MIDDLE
14 INCOME BORROWERS.—Section 428H(e)(2) of the Higher
15 Education Act of 1965 (20 U.S.C. 1078–8(e)(2)) is
16 amended—

17 (1) in the header, by striking “CAPITALIZA-
18 TION” and inserting “NO CAPITALIZATION”;

19 (2) in subparagraph (A), in the matter before
20 clause (i), by striking “, if agreed upon by the bor-
21 rower and the lender” and all that follows through
22 clause (ii)(IV) and inserting “be paid by the bor-
23 rower and shall not be capitalized.”;

24 (3) by striking subparagraph (B); and

1 (4) by redesignating subparagraph (C) as sub-
2 paragraph (B).

3 (f) INCOME CONTINGENT REPAYMENT.—Section
4 455(e)(5) of the Higher Education Act of 1965 (20 U.S.C.
5 1087e(e)(5)) is amended by striking the last sentence and
6 inserting “No interest may be capitalized on such loan on
7 or after the date of the enactment of the LOAN Act, and
8 the Secretary shall promulgate regulations with respect to
9 the treatment of accrued interest that is not capitalized”.

10 (g) DEFERMENT AND FORBEARANCE.—

11 (1) IN GENERAL.—Section 455(f) of the Higher
12 Education Act of 1965 (20 U.S.C. 1087e(f)) is
13 amended—

14 (A) in the subsection heading, by inserting
15 at the end the following: “AND FORBEARANCE”;

16 (B) in subparagraph (B), by striking “cap-
17 italized or”; and

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

19 “(6) FORBEARANCE.—At the expiration of a
20 period of forbearance, interest shall not be capital-
21 ized on any loans made under this part.”.

22 (2) APPLICATION OF AMENDMENT.—The
23 amendments made by paragraph (1) shall apply to
24 any deferment or forbearance period in effect on the
25 date of enactment of this Act, or any deferment or

1 forbearance period beginning on or after such date
2 of enactment.

3 (h) INCOME-BASED REPAYMENT PROGRAM.—Section
4 493C(b)(3) of the Higher Education Act of 1965 (20
5 U.S.C. 1098e(b)(3)) is amended to read as follows:

6 “(3) on subsidized loans, any interest due and
7 not paid under paragraph (2) shall be paid by the
8 Secretary for a period of not more than 3 years
9 after the date of the borrower’s election under para-
10 graph (1), except that such period shall not include
11 any period during which the borrower is in
12 deferment due to an economic hardship described in
13 section 435(o);”.

14 (i) NOTES AND INSURANCE CERTIFICATES IN COM-
15 BINED PAYMENT PLANS.—Section 485A(f) of the Higher
16 Education Act of 1965 (20 U.S.C. 1092a(f)) is amended
17 by adding at the end the following new paragraph:

18 “(3) TREATMENT OF INTEREST.—Not with-
19 standing paragraphs (1) and (2), beginning on the
20 date of enactment of the LOAN Act, interest on a
21 loan reissued under subsection (e) shall not be cap-
22 italized, and interest shall only accrue on the per-
23 centage of such reissued loan that is equal to—

1 “(A) the amount of the outstanding prin-
2 cipal on the original loan on the date it was re-
3 issued; divided by

4 “(B) the total amount of such reissued
5 loan on the date such loan was reissued.”.

6 **SEC. 302. ELIMINATION OF DISCLOSURE REQUIREMENTS**
7 **RELATING TO CAPITALIZATION.**

8 (a) **INSURANCE PROGRAM AGREEMENTS TO QUAL-**
9 **IFY LOANS FOR INTEREST SUBSIDIES.**—Section
10 428(b)(1)(Y) of the Higher Education Act of 1965 (20
11 U.S.C. 1078(b)(1)(Y)) is amended—

12 (1) in clause (i)(IV), by inserting “and” after
13 the semicolon;

14 (2) in clause (ii), by striking “; and” and in-
15 serting a period; and

16 (3) by striking clause (iii).

17 (b) **FORBEARANCE.**—Section 428(c)(3)(C) of such
18 Act of 1965 (20 U.S.C. 1078(c)(3)(C)) is amended—

19 (1) in clause (ii), by inserting “and” after the
20 semicolon; and

21 (2) by striking clauses (iii) and (iv) and insert-
22 ing the following:

23 “(iii) the lender shall contact the bor-
24 rower not less often than once every 180

1 days during the period of forbearance to
2 inform the borrower of—

3 “(I) the amount of unpaid prin-
4 cipal and the amount of interest that
5 has accrued since the last statement
6 of such amounts provided to the bor-
7 rower by the lender;

8 “(II) the fact that interest will
9 accrue on the loan for the period of
10 forbearance;

11 “(III) the responsibility of the
12 borrower to pay the interest that has
13 accrued; and

14 “(IV) the borrower’s option to
15 discontinue the forbearance at any
16 time; and”.

17 (c) REQUIRED DISCLOSURE BEFORE DISBURSE-
18 MENT.—Section 433(a) of the Higher Education Act of
19 1965 (20 U.S.C. 1083(a)) is amended—

20 (1) by amending paragraph (6) to read as fol-
21 lows:

22 “(6) for loans made under section 428H or to
23 a student borrower under section 428B, an expla-
24 nation that the borrower has the option to pay the
25 interest that accrues on the loan while the borrower

1 is a student at an institution of higher education;”;

2 and

3 (2) in paragraph (7)—

4 (A) in subparagraph (A), by inserting

5 “and” after the semicolon;

6 (B) by striking subparagraph (B); and

7 (C) by redesignating subparagraph (C) as

8 subparagraph (B).

9 (d) REQUIRED DISCLOSURE BEFORE REPAYMENT.—

10 Section 433(b)(3) of the Higher Education Act of 1965

11 (20 U.S.C. 1083(b)(3)) is amended by striking “(includ-

12 ing, if applicable, the estimated amount of interest to be

13 capitalized)”.

14 (e) SPECIAL DISCLOSURE RULES ON PLUS LOANS

15 AND UNSUBSIDIZED LOANS.—Section 433(d) of the High-

16 er Education Act of 1965 (20 U.S.C. 1083(d)) is amend-

17 ed—

18 (1) in the matter preceding paragraph (1)—

19 (A) by striking “resulting from capitaliza-

20 tion of interest”; and

21 (B) by striking “borrower of—” and in-

22 sserting “borrower of paying the interest as the

23 interest accrues.”; and

24 (2) by striking paragraphs (1) and (2).

1 (f) DISCLOSURE REQUIRED PRIOR TO PERKINS RE-
2 PAYMENT.—Section 463A(b)(3) of the Higher Education
3 Act of 1965 (20 U.S.C. 1087cc–1(b)(3)) is amended by
4 striking “(including, if applicable, the estimated amount
5 of interest to be capitalized)”.

6 (g) DEPARTMENTAL PUBLICATION OF DESCRIP-
7 TIONS OF ASSISTANCE PROGRAMS.—Section 485(d)(1) of
8 the Higher Education Act of 1965 (20 U.S.C. 1092(d)(1))
9 is amended by striking “, including the increase in debt
10 that results from capitalization of interest”.

11 (h) INFORMATION TO BE PROVIDED DURING EN-
12 TRANCE COUNSELING FOR BORROWERS.—Section
13 485(l)(2)(C) of the Higher Education Act of 1965 (20
14 U.S.C. 1092(l)(2)) is amended by striking “and is capital-
15 ized”.

16 **TITLE IV—INTEREST RATES**

17 **SEC. 401. INTEREST RATE PROVISIONS FOR NEW FEDERAL** 18 **STUDENT LOANS ON OR AFTER JULY 1, 2024.**

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

21 (1) in paragraph (8)—

22 (A) in the paragraph heading, by inserting

23 “, AND BEFORE JULY 1, 2024” before the period;

24 and

1 (B) by inserting “and before July 1,
2 2024,” after “July 1, 2013,” each place it ap-
3 pears;

4 (2) by redesignating paragraphs (9) and (10)
5 as paragraphs (10) and (11), respectively; and

6 (3) by inserting after paragraph (8) the fol-
7 lowing new paragraph:

8 “(9) INTEREST RATE PROVISIONS FOR NEW
9 LOANS ON OR AFTER JULY 1, 2024.—

10 “(A) RATE FOR FDSL, FDUSL, AND PLUS
11 LOANS.—Notwithstanding the preceding para-
12 graphs of this subsection, for Federal Direct
13 Stafford Loans, Federal Direct Unsubsidized
14 Stafford Loans, and Federal Direct PLUS
15 Loans, for which the first disbursement is made
16 on or after July 1, 2024, the applicable rate of
17 interest shall, for loans disbursed during any
18 12-month period beginning on July 1 and end-
19 ing on June 30, be determined on the preceding
20 June 1 and be equal to the lesser of—

21 “(i) a rate equal to the high yield of
22 the 10-year Treasury note auctioned at the
23 final auction held prior to such June 1; or

24 “(ii) 5.0 percent.

1 “(B) CONSOLIDATION LOANS.—Notwith-
2 standing the preceding paragraphs of this sub-
3 section, any Federal Direct Consolidation Loan
4 for which the application is received on or after
5 July 1, 2024, shall—

6 “(i) bear interest at an annual rate on
7 the unpaid principal balance of the loan
8 that is equal to the lesser of—

9 “(I) the weighted average of the
10 interest rates on the loans consoli-
11 dated, rounded to the nearest higher
12 one-eighth of one percent; or

13 “(II) 5.0 percent; and

14 “(ii) only accrue interest on the per-
15 centage of such Federal Direct Consolida-
16 tion Loan that is equal to—

17 “(I) the amount of the sum of
18 the unpaid principal on the loans con-
19 solidated; divided by

20 “(II) the total amount of such
21 Federal Direct Consolidation Loan.

22 “(C) CONSULTATION.—The Secretary shall
23 determine the applicable rate of interest under
24 this paragraph after consultation with the Sec-
25 retary of the Treasury and shall publish such

1 rate in the Federal Register as soon as prac-
2 ticable after the date of determination.

3 “(D) FIXED RATE.—The applicable rate of
4 interest determined under this paragraph for a
5 Federal Direct Stafford Loan, a Federal Direct
6 Unsubsidized Stafford Loan, a Federal Direct
7 PLUS Loan, or a Federal Direct Consolidation
8 Loan shall be fixed for the period of the loan.”.

9 **SEC. 402. REFINANCING FFEL AND FEDERAL DIRECT**
10 **LOANS.**

11 Part D of title IV of the Higher Education Act of
12 1965 (20 U.S.C. 1087a et seq.) is amended by adding at
13 the end the following:

14 **“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT**
15 **LOANS.**

16 “(a) IN GENERAL.—The Secretary shall establish a
17 program under which the Secretary, upon the receipt of
18 an application from a qualified borrower, makes a loan
19 under this part, in accordance with the provisions of this
20 section, in order to permit the borrower to obtain the in-
21 terest rate provided under subsection (c).

22 “(b) REFINANCING DIRECT LOANS.—

23 “(1) FEDERAL DIRECT LOANS.—Upon applica-
24 tion of a qualified borrower, the Secretary shall
25 repay a Federal Direct Stafford Loan, a Federal Di-

1 rect Unsubsidized Stafford Loan, a Federal Direct
2 PLUS Loan, or a Federal Direct Consolidation
3 Loan of the qualified borrower, for which the first
4 disbursement was made, or the application for the
5 consolidation loan was received, before July 1, 2024,
6 with the proceeds of a refinanced Federal Direct
7 Stafford Loan, a Federal Direct Unsubsidized Staf-
8 ford Loan, a Federal Direct PLUS Loan, or a Fed-
9 eral Direct Consolidation Loan, respectively, issued
10 to the borrower in an amount equal to the sum of
11 the unpaid principal, accrued unpaid interest, and
12 late charges of the original loan.

13 “(2) REFINANCING FFEL PROGRAM LOANS AS
14 REFINANCED FEDERAL DIRECT LOANS.—Upon ap-
15 plication of a qualified borrower for any loan that
16 was made, insured, or guaranteed under part B and
17 for which the first disbursement was made, or the
18 application for the consolidation loan was received,
19 before July 1, 2010, the Secretary shall make a loan
20 under this part, in an amount equal to the sum of
21 the unpaid principal, accrued unpaid interest, and
22 late charges of the original loan to the borrower in
23 accordance with the following:

24 “(A) The Secretary shall pay the proceeds
25 of such loan to the eligible lender of the loan

1 made, insured, or guaranteed under part B, in
2 order to discharge the borrower from any re-
3 maining obligation to the lender with respect to
4 the original loan.

5 “(B) A loan made under this section that
6 was originally—

7 “(i) a loan originally made, insured,
8 or guaranteed under section 428 shall be a
9 Federal Direct Stafford Loan;

10 “(ii) a loan originally made, insured,
11 or guaranteed under section 428B shall be
12 a Federal Direct PLUS Loan;

13 “(iii) a loan originally made, insured,
14 or guaranteed under section 428H shall be
15 a Federal Direct Unsubsidized Stafford
16 Loan; and

17 “(iv) a loan originally made, insured,
18 or guaranteed under section 428C shall be
19 a Federal Direct Consolidation Loan.

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

23 “(c) INTEREST RATES.—

24 “(1) IN GENERAL.—The interest rate for the
25 refinanced Federal Direct Stafford Loans, Federal

1 Direct Unsubsidized Stafford Loans, Federal Direct
2 PLUS Loans, and Federal Direct Consolidation
3 Loans, shall be a rate equal to—

4 “(A) in any case where the original loan
5 was a loan under section 428, 428B, 428H, a
6 Federal Direct Stafford loan, a Federal Direct
7 Unsubsidized Stafford Loan, or a Federal Di-
8 rect PLUS Loan, a rate equal to the interest
9 rate determined under section 455(b)(9)(A) for
10 the date on which the refinanced loan is made;
11 and

12 “(B) in any case where the original loan
13 was a loan under section 428C or a Federal Di-
14 rect Consolidation Loan, a rate calculated in ac-
15 cordance with paragraph (2).

16 “(2) INTEREST RATES FOR CONSOLIDATION
17 LOANS.—

18 “(A) METHOD OF CALCULATION.—In
19 order to determine the interest rate for any re-
20 financed Federal Direct Consolidation Loan
21 under paragraph (1)(B), the Secretary shall—

22 “(i) determine each of the component
23 loans that were originally consolidated in
24 the loan under section 428C or the Federal
25 Direct Consolidation Loan, and calculate

1 the proportion of the unpaid principal bal-
2 ance of the loan under section 428C or the
3 Federal Direct Consolidation Loan that
4 each component loan represents;

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

13 “(iii) make the applicable interest rate
14 for the refinanced Federal Direct Consoli-
15 dation Loan the lesser of—

16 “(I) the weighted average cal-
17 culated under clause (ii); or

18 “(II) 5.0 percent.

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

24 “(i) The interest rate for any loan
25 under section 428, 428B, 428H, Federal

1 Direct Stafford Loan, Federal Direct Un-
2 subsidized Stafford Loan, or Federal Di-
3 rect PLUS Loan shall be a rate equal to
4 the lesser of—

5 “(I) the interest rate determined
6 under section 455(b)(9)(A) for the
7 date on which the component loan is
8 made; or

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

11 “(ii) The interest rate for any compo-
12 nent loan that is a loan under section
13 428C or a Federal Direct Consolidation
14 Loan shall be the lesser of—

15 “(I) the weighted average of the
16 interest rates that would apply under
17 this subparagraph for each loan com-
18 prising the component consolidation
19 loan; or

20 “(II) 5 percent.

21 “(iii) The interest rate for any eligible
22 loan that is a component of a loan made
23 under section 428C or a Federal Direct
24 Consolidation Loan and is not described in
25 clause (i) or (ii) shall be the lesser of—

1 “(I) the interest rate on the
2 original component loan; or

3 “(II) 5 percent.

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

8 “(4) CAPITALIZED INTEREST AND FEES EX-
9 CLUDED.—With respect to a refinanced loan under
10 this section, interest shall only accrue on the per-
11 centage of such refinanced loan that is equal to—

12 “(A) the amount of the unpaid principal of
13 the original loan, or in the case of a refinanced
14 Federal Direct Consolidation Loan, the sum of
15 the unpaid principal of all the component loans,
16 comprising the refinanced loan; divided by

17 “(B) the total amount of such refinanced
18 loan.

19 “(d) TERMS AND CONDITIONS OF LOANS.—

20 “(1) IN GENERAL.—A loan that is refinanced
21 under this section shall have the same terms and
22 conditions as the original loan, except as otherwise
23 provided in this section.

24 “(2) NO AUTOMATIC EXTENSION OF REPAY-
25 MENT PERIOD.—Refinancing a loan under this sec-

1 tion shall not result in the extension of the duration
2 of the repayment period of the loan, and the bor-
3 rower shall retain the same repayment term that
4 was in effect on the original loan. Nothing in this
5 paragraph shall be construed to prevent a borrower
6 from electing a different repayment plan at any time
7 in accordance with section 455(d)(4).

8 “(e) DEFINITION OF QUALIFIED BORROWER.—For
9 purposes of this section, the term ‘qualified borrower’
10 means a borrower—

11 “(1) of a loan under this part or part B for
12 which the first disbursement was made, or the appli-
13 cation for a consolidation loan was received, before
14 July 1, 2024; and

15 “(2) who has one or more loans described in
16 paragraph (1) or (2) of subsection (b) with an inter-
17 est rate that exceeds 5 percent.

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

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

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

9 **SEC. 403. REFINANCING PRIVATE STUDENT LOANS.**

10 Part D of title IV of the Higher Education Act of
11 1965 (20 U.S.C. 1087a et seq.), as amended by section
12 402, is further amended by adding at the end the fol-
13 lowing:

14 **“SEC. 460B. FEDERAL DIRECT REFINANCED PRIVATE LOAN**
15 **PROGRAM.**

16 “(a) DEFINITIONS.—In this section:

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

22 “(A) was disbursed to the borrower before
23 July 1, 2024; and

24 “(B) was for the borrower’s own postsec-
25 ondary educational expenses for an eligible pro-

1 gram at an institution of higher education par-
2 ticipating in the loan program under this part,
3 as of the date that the loan was disbursed.

4 “(2) FEDERAL DIRECT REFINANCED PRIVATE
5 LOAN.—The term ‘Federal Direct Refinanced Pri-
6 vate Loan’ means a loan issued under subsection
7 (b)(1).

8 “(3) PRIVATE EDUCATIONAL LENDER.—The
9 term ‘private educational lender’ has the meaning
10 given the term in section 140(a) of the Truth in
11 Lending Act (15 U.S.C. 1650(a)).

12 “(4) QUALIFIED BORROWER.—The term ‘quali-
13 fied borrower’ means an individual who—

14 “(A) has an eligible private education loan;

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

21 “(C) is not in default on the eligible pri-
22 vate education loan or on any loan made, in-
23 sured, or guaranteed under this part or part B
24 or E; and

1 “(D) meets the eligibility requirements de-
2 scribed in subsection (b)(2).

3 “(b) PROGRAM AUTHORIZED.—

4 “(1) IN GENERAL.—The Secretary, in consulta-
5 tion with the Secretary of the Treasury, shall carry
6 out a program under which the Secretary, upon ap-
7 plication by a qualified borrower who has an eligible
8 private education loan, shall issue such borrower a
9 loan under this part in accordance with the fol-
10 lowing:

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

15 “(B) The Secretary shall pay the proceeds
16 of the loan issued under this program to the
17 private educational lender of the private edu-
18 cation loan, in order to discharge the qualified
19 borrower from any remaining obligation to the
20 lender with respect to the original loan.

21 “(C) The Secretary shall require that the
22 qualified borrower undergo loan counseling that
23 provides all of the relevant information and
24 counseling required under section 485(l)(2) be-
25 fore the loan is refinanced in accordance with

1 this section, and before the proceeds of such
2 loan are paid to the private educational lender.

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

9 “(E) The interest rate for each loan made
10 by the Secretary under this section shall be the
11 rate provided under subsection (c).

12 “(2) BORROWER ELIGIBILITY.—The Secretary,
13 in consultation with the Secretary of the Treasury
14 and the Director of the Consumer Financial Protec-
15 tion Bureau, shall establish eligibility require-
16 ments—

17 “(A) to ensure eligibility only for borrowers
18 in good standing;

19 “(B) to minimize inequities between Fed-
20 eral Direct Refinanced Private Loans and other
21 Federal student loans;

22 “(C) to preclude windfall profits for pri-
23 vate educational lenders; and

24 “(D) to ensure full access to the program
25 authorized in this subsection for borrowers with

1 private loans who otherwise meet the criteria
2 established in accordance with subparagraph
3 (A).

4 “(c) INTEREST RATE.—

5 “(1) IN GENERAL.—The interest rate for a
6 Federal Direct Refinanced Private Loan is a rate
7 equal to the interest rate determined under section
8 455(b)(9)(A) for the date on which the refinanced
9 private loan is made.

10 “(2) FIXED RATE.—The interest rate deter-
11 mined under this subsection for a Federal Direct
12 Refinanced Private Loan shall be fixed for the pe-
13 riod of the loan.

14 “(3) CAPITALIZED INTEREST AND FEES EX-
15 CLUDED.—With respect to a Federal Direct Refi-
16 nanced Private Loan under this section, interest
17 shall only accrue on the percentage of such Refi-
18 nanced Private Loan that is equal to—

19 “(A) the amount of the unpaid principal of
20 the original loan comprising the Refinanced
21 Private Loan on the date such original loan was
22 refinanced; divided by

23 “(B) the total amount of such Refinanced
24 Private Loan.

1 “(d) NO INCLUSION IN AGGREGATE LIMITS.—The
2 amount of a Federal Direct Refinanced Private Loan, or
3 a Federal Direct Consolidated Loan to the extent such
4 loan was used to repay a Federal Direct Refinanced Pri-
5 vate Loan, shall not be included in calculating a bor-
6 rower’s annual or aggregate loan limits under section 428
7 or 428H.

8 “(e) NO ELIGIBILITY FOR SERVICE-RELATED RE-
9 PAYMENT.—A Federal Direct Refinanced Private Loan, or
10 any Federal Direct Consolidation Loan to the extent such
11 loan was used to repay a Federal Direct Refinanced Pri-
12 vate Loan, shall not be eligible for any loan repayment
13 or loan forgiveness program under section 428K, 428L,
14 or 460 or for the loan cancellation repayment plan for
15 public service employees under section 455(m).

16 “(f) PRIVATE EDUCATIONAL LENDER REPORTING
17 REQUIREMENT.—

18 “(1) REPORTING REQUIRED.—The Secretary,
19 in consultation with the Secretary of the Treasury
20 and the Director of the Bureau of Consumer Finan-
21 cial Protection, shall establish a requirement that, in
22 order to allow for an assessment of the private edu-
23 cation loan market, private educational lenders re-
24 port the data described in paragraph (2) to—

25 “(A) the Secretary;

1 “(B) the Secretary of the Treasury;

2 “(C) the Director of the Consumer Finan-
3 cial Protection Bureau;

4 “(D) the Committee on Education and
5 Labor of the House of Representatives;

6 “(E) the Committee on Financial Services
7 of the House of Representatives;

8 “(F) the Senate Committee on Health,
9 Education, Labor, and Pensions; and

10 “(G) the Senate Committee on Banking,
11 Housing, and Urban Affairs.

12 “(2) CONTENTS OF REPORTING.—The data
13 that private educational lenders shall report in ac-
14 cordance with paragraph (1) shall include each of
15 the following about private education loans (as de-
16 fined in section 140(a) of the Truth in Lending Act
17 (15 U.S.C. 1650(a))):

18 “(A) The total amount of private education
19 loan debt the lender holds.

20 “(B) The total number of private edu-
21 cation loan borrowers the lender serves.

22 “(C) The average interest rate on the out-
23 standing private education loan debt held by the
24 lender.

1 “(D) The proportion of private education
2 loan borrowers who are in default on a loan
3 held by the lender.

4 “(E) The proportion of the outstanding
5 private education loan volume held by the lend-
6 er that is in default.

7 “(F) The proportions of outstanding pri-
8 vate education loan borrowers who are 30, 60,
9 and 90 days delinquent.

10 “(G) The proportions of outstanding pri-
11 vate education loan volume that is 30, 60, and
12 90 days delinquent.

13 “(g) NOTIFICATION TO BORROWERS.—The Sec-
14 retary, in coordination with the Secretary of the Treasury
15 and the Director of the Consumer Financial Protection
16 Bureau, shall undertake a campaign to alert borrowers
17 about the availability of private student loan refinancing
18 under this section.”.

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