

114TH CONGRESS
1ST SESSION

H. R. 3751

To allow certain student loan borrowers to refinance Federal student loans.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 9, 2015

Mr. PETERS (for himself, Ms. JUDY CHU of California, Mr. VARGAS, Mr. HIGGINS, Mr. RUSH, Mr. HONDA, Mr. BRENDAN F. BOYLE of Pennsylvania, Ms. JACKSON LEE, Mr. CROWLEY, and Mr. POCAN) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To allow certain student loan borrowers to refinance Federal student loans.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Student Loan
5 Refinancing Act”.

6 **SEC. 2. STUDENT LOAN CONSOLIDATION.**

7 Section 459B of the Higher Education Act of 1965
8 (20 U.S.C. 1087i–2) is amended—

1 (1) in subsection (a)(3), by striking “section”
2 and inserting “subsection”;

3 (2) in subsection (b), by striking “this section”
4 and inserting “subsection (a)” each place the term
5 appears; and

6 (3) by inserting at the end the following:

7 “(c) TEMPORARY LOAN CONSOLIDATION AUTHORITY
8 FOR CERTAIN LOANS MADE AFTER JULY 1, 2006.—

9 “(1) LOAN CONSOLIDATION AUTHORITY.—

10 “(A) IN GENERAL.—A borrower who has 1
11 or more loans in a category described in sub-
12 paragraph (B) may consolidate all of the loans
13 of the borrower that are described in subpara-
14 graph (B) into a Federal Direct Consolidation
15 Loan during the period described in subpara-
16 graph (C).

17 “(B) CATEGORIES OF LOANS THAT MAY BE
18 CONSOLIDATED.—The categories of loans that
19 may be consolidated under subparagraph (A)
20 are loans made on or after July 1, 2006, that
21 are—

22 “(i) loans made under this part;

23 “(ii) loans purchased by the Secretary
24 pursuant to section 459A; and

1 “(iii) loans made under part B that
2 are held by an eligible lender, as such term
3 is defined in section 435(d).

4 “(C) TIME PERIOD IN WHICH LOANS MAY
5 BE CONSOLIDATED.—

6 “(i) FEDERAL DIRECT LOANS.—In the
7 case of a borrower who has 1 or more
8 loans described under subparagraph (B)(i),
9 the Secretary shall—

10 “(I) consolidate the loans de-
11 scribed under subparagraph (B)(i) not
12 later than 90 days after the date of
13 enactment of the Federal Student
14 Loan Refinancing Act; and

15 “(II) notify the borrower, in writ-
16 ing, prior to such consolidation that—

17 “(aa) the borrower’s loans
18 under this part have been con-
19 solidated at a lower interest rate;
20 and

21 “(bb) the borrower’s repay-
22 ment plan and the other terms
23 and conditions of the borrower’s
24 loan remain unchanged.

1 “(ii) OTHER LOANS.—In the case of a
2 borrower who has 1 or more loans de-
3 scribed under clause (ii) or (iii) of subpara-
4 graph (B), the Secretary shall—

5 “(I) initiate the loan consolida-
6 tion process for the loans described
7 under clause (ii) or (iii) of subpara-
8 graph (B), not later than 90 days
9 after the date of enactment of the
10 Federal Student Loan Refinancing
11 Act, by sending a completed loan con-
12 solidation application to the borrower;

13 “(II) notify the borrower, as part
14 of such application, that a fee will be
15 assessed and that the interest rate of
16 the Federal Direct Consolidation
17 Loan will be set in accordance with
18 paragraph (2); and

19 “(III) notify the borrower, as
20 part of such application, that if the
21 borrower wishes to consolidate in ac-
22 cordance with the completed applica-
23 tion, the borrower must endorse the
24 application and submit the application
25 to the Secretary not more than 6

1 months after receipt of the applica-
2 tion.

3 “(2) TERMS OF LOANS.—The following terms
4 and conditions shall apply to a Federal Direct Con-
5 solidation Loan made under this subsection:

6 “(A) The applicable rate of interest on a
7 Federal Direct Consolidation Loan made under
8 this subsection shall be—

9 “(i) 4 percent; or

10 “(ii) in a case in which the weighted
11 average of the interest rates on the out-
12 standing loans of a borrower that will be
13 consolidated is less than 4 percent, the
14 lesser of—

15 “(I) the weighted average of the
16 interest rates on the outstanding
17 loans of a borrower that will be con-
18 solidated; or

19 “(II) a rate of interest equal to—

20 “(aa) 4 percent; minus

21 “(bb) 0.4 percent of the
22 principal balance of the consoli-
23 dation loan, at the time of con-
24 solidation.

1 “(B) In the case of a loan consolidated
2 under paragraph (1)(C)(ii), an origination fee
3 equal to 0.4 percent of the principal balance of
4 the consolidation loan, at the time of consolida-
5 tion, will be added to the principal balance of
6 the loan, and the Secretary shall use the fee to
7 cover the cost of making and servicing the loan.

8 “(C) If 1 or more of the loans being con-
9 solidated is a loan described under paragraph
10 (1)(B)(iii), the interest rate on the Federal Di-
11 rect Consolidation Loan under this subsection
12 shall be reduced by 0.25 percent.

13 “(D) Any benefit a borrower is receiving or
14 earning at the time a Federal Direct Consolida-
15 tion Loan is issued under this subsection shall
16 not be affected by consolidation under this sec-
17 tion, including benefits such as a deferment or
18 forbearance, accumulation of monthly payments
19 as part of the public service loan forgiveness
20 program under section 455(m), accumulation of
21 monthly payments toward a loan discharge
22 under the income-based repayment plan under
23 section 493C, participation in a particular re-
24 payment plan, and other benefits to the bor-
25 rower.”.

1 **SEC. 3. EXEMPTIONS FROM OTHER LAWS.**

2 (a) EXEMPTION FROM THE PAPERWORK REDUCTION
3 ACT.—Chapter 35 of title 44, United States Code, shall
4 not apply to this Act.

5 (b) INAPPLICABILITY OF RULEMAKING REQUIRE-
6 MENTS.—Sections 482(c) and 492 of the Higher Edu-
7 cation Act of 1965 (20 U.S.C. 1089(c), 1098a) and sec-
8 tion 553 of title 5, United States Code, shall not apply
9 to the amendments made by this Act, or to any regulations
10 promulgated under such amendments.

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