

[115H4001]

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(Original Signature of Member)

116TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

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

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IN THE HOUSE OF REPRESENTATIVES

Mr. GARAMENDI introduced the following bill; which was referred to the Committee on \_\_\_\_\_  
\_\_\_\_\_

## **A BILL**

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

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

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Student Loan Refi-  
5       nancing and Recalculation Act”.

6       **SEC. 2. REFINANCING PROGRAMS.**

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

1 (1) by striking “and (2)” and inserting “(2)”;

2 and

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

5 (b) REFINANCING PROGRAM.—Part D of title IV of  
6 the Higher Education Act of 1965 (20 U.S.C. 1087a et  
7 seq.) is amended by adding at the end the following:

8 **“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT**  
9 **LOANS.**

10 “(a) IN GENERAL.—Beginning not later than 180  
11 days after the date of enactment of the Student Loan Re-  
12 financing and Recalculation Act, the Secretary shall estab-  
13 lish a program under which the Secretary, upon the re-  
14 ceipt of an application from a qualified borrower, reissues  
15 the borrower’s original loan under this part or part B as  
16 a loan under this part, in accordance with the provisions  
17 of this section, in order to permit the borrower to obtain  
18 the interest rate provided under subsection (c).

19 “(b) REISSUING LOANS.—

20 “(1) FEDERAL DIRECT LOANS.—Upon applica-  
21 tion of a qualified borrower, the Secretary shall re-  
22 issue a Federal Direct Stafford Loan, a Federal Di-  
23 rect Unsubsidized Stafford Loan, a Federal Direct  
24 PLUS Loan, or a Federal Direct Consolidation  
25 Loan of the qualified borrower, for which the first

1       disbursement was made, or the application for the  
2       reissuance of a loan under this section was received  
3       before July 1, 2019, in an amount equal to the sum  
4       of—

5               “(A) the unpaid principal, accrued unpaid  
6               interest, and late charges of the original loan;  
7               and

8               “(B) the administrative fee under sub-  
9               section (d)(3).

10              “(2) DISCHARGING AND REISSUING FFEL PRO-  
11       GRAM LOANS AS REFINANCED FEDERAL DIRECT  
12       LOANS.—Upon application of a qualified borrower  
13       for any loan that was made, insured, or guaranteed  
14       under part B and for which the first disbursement  
15       was made before July 1, 2010, the Secretary shall  
16       reissue such loan as a loan under this part, in an  
17       amount equal to the sum of the unpaid principal, ac-  
18       crued unpaid interest, and late charges of the origi-  
19       nal loan and the administrative fee under subsection  
20       (d)(3), to the borrower in accordance with the fol-  
21       lowing:

22              “(A) The Secretary shall pay the proceeds  
23              of such reissued loan to the eligible lender of  
24              the loan made, insured, or guaranteed under  
25              part B, in order to discharge the borrower from

1 any remaining obligation to the lender with re-  
2 spect to the original loan.

3 “(B) The Secretary shall reissue—

4 “(i) a loan originally made, insured,  
5 or guaranteed under section 428 as a Fed-  
6 eral Direct Stafford Loan;

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

10 “(iii) a loan originally made, insured,  
11 or guaranteed under section 428H as a  
12 Federal Direct Unsubsidized Stafford  
13 Loan; and

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

17 “(C) The interest rate for each loan re-  
18 issued under this paragraph shall be the rate  
19 provided under subsection (c).

20 “(c) INTEREST RATE.—

21 “(1) IN GENERAL.—The interest rate for the  
22 reissued Federal Direct Stafford Loans, Federal Di-  
23 rect Unsubsidized Stafford Loans, Federal Direct  
24 PLUS Loans, and Federal Direct Consolidation  
25 Loans, shall be a rate equal to—

1           “(A) the high yield of the 10-year Treas-  
2           ury note auctioned at the final auction held  
3           prior to the first day of the month in which the  
4           application for reissuance under this section is  
5           received, plus

6           “(B) 1.0 percent.

7           “(2) FIXED RATE.—The applicable rate of in-  
8           terest determined under paragraph (1) for a re-  
9           issued loan under this section shall be fixed for the  
10          period of the loan.

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

12           “(1) IN GENERAL.—A loan that is reissued  
13           under this section shall have the same terms and  
14           conditions as the original loan, except as otherwise  
15           provided in this section.

16           “(2) NO AUTOMATIC EXTENSION OF REPAY-  
17           MENT PERIOD.—Reissuing a loan under this section  
18           shall not result in the extension of the duration of  
19           the repayment period of the loan, and the borrower  
20           shall retain the same repayment term that was in ef-  
21           fect on the original loan. Nothing in this paragraph  
22           shall be construed to prevent a borrower from elect-  
23           ing a different repayment plan at any time in ac-  
24           cordance with section 455(d)(3).

1           “(3) ADMINISTRATIVE FEE.—The Secretary  
2           shall charge the borrower of a loan reissued under  
3           this section an administrative fee of not more than  
4           0.5 percent of the sum of the unpaid principal, ac-  
5           crued unpaid interest, and late charges, of the origi-  
6           nal loan.

7           “(e) DEFINITION OF QUALIFIED BORROWER.—

8           “(1) IN GENERAL.—The term ‘qualified bor-  
9           rower’ means a borrower—

10           “(A) of a loan under this part or part B  
11           for which the first disbursement was made, or  
12           the application for reissuance under this section  
13           was received, before July 1, 2019; and

14           “(B) who meets the eligibility requirements  
15           based on income or debt-to-income ratio estab-  
16           lished by the Secretary.

17           “(2) INCOME REQUIREMENTS.—Not later than  
18           180 days after the date of enactment of the Student  
19           Loan Refinancing and Recalculation Act, the Sec-  
20           retary shall establish eligibility requirements based  
21           on income or debt-to-income ratio that take into con-  
22           sideration providing access to refinancing under this  
23           section for borrowers with the greatest financial  
24           need.

1       “(f) EXPIRATION OF AUTHORITY.—The Secretary’s  
2 authority to reissue loans under this section shall expire  
3 on the date that is determined in accordance with section  
4 4 of the Fairness in Student Loan Lending Act.”.

5       (c) AMENDMENTS TO PUBLIC SERVICE REPAYMENT  
6 PLAN PROVISIONS.—Section 455(m) of the Higher Edu-  
7 cation Act of 1965 (20 U.S.C. 1087e(m)) is amended—

8               (1) by redesignating paragraphs (3) and (4) as  
9 paragraphs (4) and (5), respectively;

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

12              “(3) SPECIAL RULES FOR SECTION 460A  
13 LOANS.—

14              “(A) REFINANCED FEDERAL DIRECT  
15 LOANS.—Notwithstanding paragraph (1), in de-  
16 termining the number of monthly payments  
17 that meet the requirements of such paragraph  
18 for an eligible Federal Direct Loan reissued  
19 under section 460A that was originally a loan  
20 under this part, the Secretary shall include all  
21 monthly payments made on the original loan  
22 that meet the requirements of such paragraph.

23              “(B) REFINANCED FFEL LOANS.—In the  
24 case of an eligible Federal Direct Loan reissued  
25 under section 460A that was originally a loan

1 under part B, only monthly payments made  
2 after the date on which the loan was reissued  
3 may be included for purposes of paragraph  
4 (1).”; and

5 (3) in paragraph (4)(A) (as redesignated by  
6 paragraph (1) of this subsection), by inserting “(in-  
7 cluding any Federal Direct Stafford Loan, Federal  
8 Direct PLUS Loan, Federal Direct Unsubsidized  
9 Stafford Loan, or Federal Direct Consolidation  
10 Loan reissued under section 460A)” before the pe-  
11 riod at the end.

12 (d) INCOME-BASED REPAYMENT.—Section 493C of  
13 the Higher Education Act of 1965 (20 U.S.C. 1098e) is  
14 amended by adding at the end the following:

15 “(a) REFINANCED FEDERAL DIRECT AND FFEL  
16 LOANS.—In calculating the period of time during which  
17 a borrower of a loan that is reissued under section 460A  
18 has made monthly payments for purposes of subsection  
19 (b)(7), the Secretary shall deem the period to include all  
20 monthly payments made for the original loan, and all  
21 monthly payments made for the reissued loan, that other-  
22 wise meet the requirements of this section.”.



1 **SEC. 3. INTEREST RATES.**

2 (a) INTEREST RATES.—Section 455(b) of the Higher  
3 Education Act of 1965 (20 U.S.C. 1087e(b)) is amend-  
4 ed—

5 (1) by redesignating paragraph (9) as para-  
6 graph (10); and

7 (2) by inserting after paragraph (8) the fol-  
8 lowing:

9 “(9) INTEREST RATE PROVISIONS FOR NEW  
10 LOANS ON OR AFTER JULY 1, 2019.—

11 “(A) RATES FOR UNDERGRADUATE FDSL  
12 AND FDUSL.—Notwithstanding the preceding  
13 paragraphs of this subsection, for Federal Di-  
14 rect Stafford Loans and Federal Direct Unsub-  
15 sidized Stafford Loans issued to undergraduate  
16 students, for which the first disbursement is  
17 made on or after July 1, 2019, the applicable  
18 rate of interest shall, for loans disbursed during  
19 any 12-month period beginning on July 1 and  
20 ending on June 30, be determined on the pre-  
21 ceding June 1 and be equal to the lesser of—

22 “(i) a rate equal to—

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

1 “(II) 1 percent; or

2 “(ii) 8.25 percent.

3 “(B) RATES FOR GRADUATE AND PROFES-  
4 SIONAL FDUSL.—Notwithstanding the pre-  
5 ceding paragraphs of this subsection, for Fed-  
6 eral Direct Unsubsidized Stafford Loans issued  
7 to graduate or professional students, for which  
8 the first disbursement is made on or after July  
9 1, 2019, the applicable rate of interest shall, for  
10 loans disbursed during any 12-month period be-  
11 ginning on July 1 and ending on June 30, be  
12 determined on the preceding June 1 and be  
13 equal to the lesser of—

14 “(i) a rate equal to—

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

19 “(II) 1 percent; or

20 “(ii) 9.5 percent.

21 “(C) PLUS LOANS.—Notwithstanding the  
22 preceding paragraphs of this subsection, for  
23 Federal Direct PLUS Loans, for which the first  
24 disbursement is made on or after July 1, 2019,  
25 the applicable rate of interest shall, for loans

1           disbursed during any 12-month period begin-  
2           ning on July 1 and ending on June 30, be de-  
3           termined on the preceding June 1 and be equal  
4           to the lesser of—

5                     “(i) a rate equal to—

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

10                    “(II) 1 percent; or

11                    “(ii) 10.5 percent.

12                   “(D) CONSOLIDATION LOANS.—Notwith-  
13           standing the preceding paragraphs of this sub-  
14           section, any Federal Direct Consolidation Loan  
15           for which the application is received on or after  
16           July 1, 2019, shall bear interest at an annual  
17           rate on the unpaid principal balance of the loan  
18           that is equal to the weighted average of the in-  
19           terest rates on the loans consolidated, rounded  
20           to the nearest higher one-eighth of one percent.

21                   “(E) CONSULTATION.—The Secretary shall  
22           determine the applicable rate of interest under  
23           this paragraph after consultation with the Sec-  
24           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 “(F) RATE.—The applicable rate of inter-  
4 est determined under this paragraph for a Fed-  
5 eral Direct Stafford Loan, a Federal Direct Un-  
6 subsidized Stafford Loan, or a Federal Direct  
7 PLUS Loan shall be fixed for the period of the  
8 loan.”.

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

12 (1) in paragraph (1), in the matter preceding  
13 subparagraph (A), by striking “A borrower” and in-  
14 serting “Except as provided in paragraph (5), a bor-  
15 rower”;

16 (2) in paragraph (2)(A)—

17 (A) by striking the matter following clause  
18 (ii);

19 (B) in clause (ii), by striking the comma at  
20 the end and inserting “; or”; and

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

22 “(iii) is serving in a medical or dental  
23 internship or residency program;”; and

24 (3) by adding at the end the following new  
25 paragraph:

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

7           “(A) shall not accrue, in the case of a bor-  
8     rower with an expected family contribution of  
9     not more than \$10,000 (computed in accord-  
10    ance with part F of this title); and

11          “(B) shall accrue at the rate equal to the  
12    high yield of the 10-year Treasury note applica-  
13    ble to such loan under subsection (b)(9), in the  
14    case of a borrower of an unsubsidized loan with  
15    an expected family contribution of more than  
16    \$10,000 (computed in accordance with part F  
17    of this title).”.

18    (c) EFFECTIVE DATE.—The amendments made by  
19    subsections (a) and (b) shall take effect on July 1, 2019.

20    **SEC. 4. ELIMINATION OF ORIGINATION FEES FOR FEDERAL**  
21           **DIRECT LOANS.**

22    (a) SENSE OF CONGRESS.—It is the sense of Con-  
23    gress that no origination fees should be charged on any  
24    future Federal Direct Loans.

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

4       (c) EFFECTIVE DATE.—The amendment made by  
5 subsection (b) shall apply with respect to loans made  
6 under part D of title IV of the Higher Education Act of  
7 1965 (20 U.S.C. 1087a et seq.) for which the first dis-  
8 bursement of principal is made, or, in the case of a Fed-  
9 eral Direct Consolidation Loan, the application is received,  
10 on the first July 1 after the date of enactment of this  
11 Act.