

117TH CONGRESS  
1ST SESSION

# S. 603

To amend the Higher Education Act of 1965 to provide for the refinancing of certain Federal student loans, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MARCH 4, 2021

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

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## A BILL

To amend the Higher Education Act of 1965 to provide for the refinancing 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 “Coronavirus Emer-  
5 gency Student Loan Refinancing 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 30  
11 days after the date of enactment of the Coronavirus Emer-  
12 gency Student Loan Refinancing Act, the Secretary shall  
13 establish a program under which the Secretary, upon the  
14 receipt of an application from a qualified borrower, makes  
15 a loan under this part, in accordance with the provisions  
16 of this section, in order to permit the borrower to obtain  
17 the interest rate provided under subsection (c).

18          “(b) REFINANCING DIRECT LOANS.—

19               “(1) FEDERAL DIRECT LOANS.—Upon applica-  
20 tion of a qualified borrower, the Secretary shall  
21 repay a Federal Direct Stafford Loan, a Federal Di-  
22 rect Unsubsidized Stafford Loan, a Federal Direct  
23 PLUS Loan, or a Federal Direct Consolidation  
24 Loan of the qualified borrower, with the proceeds of  
25 a refinanced Federal Direct Stafford Loan, a Fed-

1        eral Direct Unsubsidized Stafford Loan, a Federal  
2        Direct PLUS Loan, or a Federal Direct Consolida-  
3        tion Loan, respectively, issued to the borrower in an  
4        amount equal to the sum of the unpaid principal, ac-  
5        crued unpaid interest, and late charges of the origi-  
6        nal loan.

7            “(2) REFINANCING FFEL PROGRAM LOANS AS  
8        REFINANCED FEDERAL DIRECT LOANS.—Upon ap-  
9        plication of a qualified borrower for any loan that  
10       was made, insured, or guaranteed under part B, the  
11       Secretary shall make a loan under this part, in an  
12       amount equal to the sum of the unpaid principal, ac-  
13       crued unpaid interest, and late charges of the origi-  
14       nal loan to the borrower in accordance with the fol-  
15       lowing:

16            “(A) The Secretary shall pay the proceeds  
17        of such loan to the eligible lender of the loan  
18        made, insured, or guaranteed under part B, in  
19        order to discharge the borrower from any re-  
20        maining obligation to the lender with respect to  
21        the original loan.

22            “(B) A loan made under this section that  
23        was originally a loan made, insured, or guaran-  
24        teed—

1 “(i) under section 428 shall be a Fed-  
2 eral Direct Stafford Loan;

3 “(ii) under section 428B shall be a  
4 Federal Direct PLUS Loan;

5 “(iii) under section 428H shall be a  
6 Federal Direct Unsubsidized Stafford  
7 Loan; and

8 “(iv) under section 428C shall be a  
9 Federal Direct Consolidation Loan.

10 “(3) APPLICABLE INTEREST RATE.—The inter-  
11 est rate for each loan made by the Secretary under  
12 this subsection shall be the rate provided under sub-  
13 section (c).

14 “(c) INTEREST RATES.—

15 “(1) IN GENERAL.—The interest rate for the  
16 refinanced Federal Direct Stafford Loans, Federal  
17 Direct Unsubsidized Stafford Loans, Federal Direct  
18 PLUS Loans, and Federal Direct Consolidation  
19 Loans, under this section shall be a rate equal to—

20 “(A) in any case where the original loan  
21 was a loan under section 428 or 428H, a Fed-  
22 eral Direct Stafford loan, or a Federal Direct  
23 Unsubsidized Stafford Loan, that was issued to  
24 an undergraduate student, a rate equal to the

lowest yield on the 10-year Treasury note in the preceding 6 months plus 2.05 percent;

“(B) in any case where the original loan was a loan under section 428 or 428H, a Federal Direct Stafford Loan, or a Federal Direct Unsubsidized Stafford Loan, that was issued to a graduate or professional student, a rate equal to the lowest yield on the 10-year Treasury note in the preceding 6 months plus 3.6 percent;

“(C) in any case where the original loan was a loan under section 428B or a Federal Direct PLUS Loan, a rate equal to the lowest yield on the 10-year Treasury note in the preceding 6 months plus 4.6 percent; and

“(D) in any case where the original loan was a loan under section 428C or a Federal Direct Consolidation Loan, a rate calculated in accordance with paragraph (2).

“(2) INTEREST RATES FOR CONSOLIDATION LOANS.—

“(A) METHOD OF CALCULATION.—In order to determine the interest rate for any refinanced Federal Direct Consolidation Loan under paragraph (1)(D) under this section, the Secretary shall—

“(i) determine each of the component loans that were originally consolidated in the loan under section 428C or the Federal Direct Consolidation Loan, and calculate the proportion of the unpaid principal balance of the loan under section 428C or the Federal Direct Consolidation Loan that each component loan represents;

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

“(iii) apply the weighted average calculated under clause (ii) as the interest rate for the refinanced Federal Direct Consolidation Loan.

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

1           “(i) The interest rate for any loan  
 2           under section 428 or 428H, Federal Direct  
 3           Stafford Loan, or Federal Direct Unsub-  
 4           sidized Stafford Loan issued to an under-  
 5           graduate student shall be a rate equal to  
 6           the lesser of—

7                       “(I) the rate for Federal Direct  
 8                       Stafford Loans and Federal Direct  
 9                       Unsubsidized Stafford Loans issued  
 10                      to undergraduate students for the 12-  
 11                      month period beginning on July 1,  
 12                      2020, and ending on June 30, 2021;  
 13                      or

14                     “(II) the original interest rate of  
 15                     the component loan.

16           “(ii) The interest rate for any loan  
 17           under section 428 or 428H, Federal Direct  
 18           Stafford Loan, or Federal Direct Unsub-  
 19           sidized Stafford Loan issued to a graduate  
 20           or professional student shall be a rate  
 21           equal to the lesser of—

22                     “(I) the rate for Federal Direct  
 23                     Unsubsidized Stafford Loans issued  
 24                     to graduate or professional students  
 25                     for the 12-month period beginning on

1                   July 1, 2020, and ending on June 30,  
2                   2021; or

3                   “(II) the original interest rate of  
4                   the component loan.

5                   “(iii) The interest rate for any loan  
6                   under section 428B or Federal Direct  
7                   PLUS Loan shall be a rate equal to the  
8                   lesser of—

9                   “(I) the rate for Federal Direct  
10                  PLUS Loans for the 12-month period  
11                  beginning on July 1, 2020, and end-  
12                  ing on June 30, 2021; or

13                  “(II) the original interest rate of  
14                  the component loan.

15                  “(iv) The interest rate for any compo-  
16                  nent loan that is a loan under section  
17                  428C or a Federal Direct Consolidation  
18                  Loan shall be the weighted average of the  
19                  interest rates that would apply under this  
20                  subparagraph for each loan comprising the  
21                  component consolidation loan.

22                  “(v) The interest rate for any eligible  
23                  loan that is a component of a loan made  
24                  under section 428C or a Federal Direct  
25                  Consolidation Loan and is not described in

1                    clauses (i) through (iv) shall be the inter-  
 2                    est rate on the original component loan.

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

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

8                    “(1) IN GENERAL.—A loan that is refinanced  
 9                    under this section shall have the same terms and  
 10                   conditions as the original loan, except as otherwise  
 11                   provided in this section.

12                   “(2) NO AUTOMATIC EXTENSION OF REPAY-  
 13                   MENT PERIOD.—Refinancing a loan under this sec-  
 14                   tion shall not result in the extension of the duration  
 15                   of the repayment period of the loan, and the bor-  
 16                   rower shall retain the same repayment term that  
 17                   was in effect on the original loan. Nothing in this  
 18                   paragraph shall be construed to prevent a borrower  
 19                   from electing a different repayment plan at any time  
 20                   in accordance with section 455(d)(3).

21                   “(e) DEFINITION OF QUALIFIED BORROWER.—

22                   “(1) IN GENERAL.—For purposes of this sec-  
 23                   tion, the term ‘qualified borrower’ means a bor-  
 24                   rower—

1                   “(A) of a loan under this part or part B;  
2                   and

3                   “(B) who meets the eligibility requirements  
4                   based on income or debt-to-income ratio estab-  
5                   lished by the Secretary.

6                   “(2) INCOME REQUIREMENTS.—Not later than  
7                   30 days after the date of enactment of the  
8                   Coronavirus Emergency Student Loan Refinancing  
9                   Act, the Secretary shall establish eligibility require-  
10                  ments based on income or debt-to-income ratio that  
11                  take into consideration providing access to refi-  
12                  nancing under this section for borrowers with the  
13                  greatest financial need.

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

21                  “(1) Developing consumer information mate-  
22                  rials about the availability of Federal student loan  
23                  refinancing.

24                  “(2) Requiring servicers of loans under this  
25                  part or part B to provide such consumer information

1 to borrowers in a manner determined appropriate by  
 2 the Secretary, in consultation with the Director of  
 3 the Bureau of Consumer Financial Protection.”.

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

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

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

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

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

22 “(B) REFINANCED FFEL LOANS.—In the  
 23 case of an eligible Federal Direct Loan refi-  
 24 nanced under section 460A that was originally  
 25 a loan under part B, only monthly payments

1           made after the date on which the loan was refi-  
 2           nanced may be included for purposes of para-  
 3           graph (1).”; and

4           (3) in paragraph (4)(A) (as redesignated by  
 5           paragraph (1)), by inserting “(including any Federal  
 6           Direct Stafford Loan, Federal Direct PLUS Loan,  
 7           Federal Direct Unsubsidized Stafford Loan, or Fed-  
 8           eral Direct Consolidation Loan refinanced under sec-  
 9           tion 460A)” before the period at the end.

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

13          “(f) SPECIAL RULE FOR REFINANCED LOANS.—In  
 14          calculating the period of time during which a borrower of  
 15          a loan that is refinanced under section 460A has made  
 16          monthly payments for purposes of subsection (b)(7), the  
 17          Secretary shall deem the period to include all monthly pay-  
 18          ments made for the original loan, and all monthly pay-  
 19          ments made for the refinanced loan, that otherwise meet  
 20          the requirements of this section.”.

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