

117TH CONGRESS
1ST SESSION

H. R. 5084

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

IN THE HOUSE OF REPRESENTATIVES

AUGUST 23, 2021

Mr. TURNER (for himself and Mr. BROWN) introduced the following bill; which was referred to the Committee on Education and Labor

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 “Student Loan Refi-
5 nancing Act”.

TITLE I—REFINANCING PROGRAMS

SEC. 101. REFINANCING PROGRAMS.

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

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

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

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

“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT LOANS.

“(a) IN GENERAL.—Beginning not later than 30 days after the date of enactment of the Student Loan Refinancing Act, the Secretary shall establish a program under which the Secretary, upon the receipt of an application from a borrower, makes a loan under this part, in accordance with the provisions of this section, in order to permit the borrower to obtain the interest rate provided under subsection (c).

“(b) REFINANCING DIRECT LOANS.—

1 “(1) FEDERAL DIRECT LOANS.—Upon applica-
2 tion of a borrower, the Secretary shall repay a Fed-
3 eral Direct Stafford Loan, a Federal Direct Unsub-
4 sidized Stafford Loan, a Federal Direct PLUS
5 Loan, or a Federal Direct Consolidation Loan of the
6 borrower, with the proceeds of a refinanced Federal
7 Direct Stafford Loan, a Federal Direct Unsubsidized
8 Stafford Loan, a Federal Direct PLUS Loan, or a
9 Federal Direct Consolidation Loan, respectively,
10 issued to the borrower in an amount equal to the
11 sum of the unpaid principal, accrued unpaid inter-
12 est, and late charges of the original loan.

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

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

1 maintaining obligation to the lender with respect to
2 the original loan.

3 “(B) A loan made under this section that
4 was originally a loan made, insured, or guaran-
5 teed—

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

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

10 “(iii) under section 428H shall be a
11 Federal Direct Unsubsidized Stafford
12 Loan; and

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

15 “(C) The interest rate for each loan made
16 by the Secretary under this paragraph shall be
17 the rate provided under subsection (c).

18 “(c) INTEREST RATES.—

19 “(1) IN GENERAL.—The interest rate for the
20 refinanced Federal Direct Stafford Loans, Federal
21 Direct Unsubsidized Stafford Loans, Federal Direct
22 PLUS Loans, and Federal Direct Consolidation
23 Loans, shall be a rate equal to the following:

24 “(A) FEDERAL DIRECT STAFFORD
25 LOANS.—

1 “(i) RATES FOR UNDERGRADUATE
2 FDSL.—In the case of a refinanced Federal
3 Direct Stafford loan for which the original
4 loan was a loan under section 428 or a
5 Federal Direct Stafford loan that was
6 made to an undergraduate student, the
7 rate of interest on such refinanced Federal
8 Direct Stafford Loan shall be equal to the
9 rate of interest for a Federal Direct Staf-
10 ford loan made to an undergraduate stu-
11 dent for which the first disbursement is
12 made on the date on which the refinanced
13 Federal Direct Stafford Loan is made
14 under this section.

15 “(ii) RATES FOR GRADUATE AND PRO-
16 FESSIOAL FDSL.—In the case of a refi-
17 nanced Federal Direct Stafford loan for
18 which the original loan was a loan under
19 section 428 or a Federal Direct Stafford
20 loan that was made to a graduate or pro-
21 fessional student, the rate of interest on
22 such refinanced Federal Direct Stafford
23 Loan shall be equal to the rate of interest
24 for a Federal Direct Stafford loan made to
25 a graduate or professional student for

1 which the first disbursement is made on
2 the date on which the refinanced Federal
3 Direct Stafford Loan is made under this
4 section.

5 “(B) FEDERAL DIRECT UNSUBSIDIZED
6 STAFFORD LOANS.—

7 “(i) RATES FOR UNDERGRADUATE
8 FDUSL.—In the case of a refinanced Fed-
9 eral Direct Unsubsidized Stafford loan for
10 which the original loan was a loan under
11 section 428H or a Federal Direct Unsub-
12 sidized Stafford Loan that was made to an
13 undergraduate student, the rate of interest
14 on such refinanced Federal Direct Unsub-
15 sidized Stafford Loan shall be equal to the
16 rate of interest for a Federal Direct Un-
17 subsidized Stafford loan made to an under-
18 graduate student for which the first dis-
19 bursement is made on the date on which
20 the refinanced Federal Direct Unsub-
21 sidized Stafford Loan is made under this
22 section.

23 “(ii) RATES FOR GRADUATE AND PRO-
24 FESSIONAL FDUSL.—In the case of a refi-
25 nanced Federal Direct Unsubsidized Staf-

1 ford loan for which the original loan was a
2 loan under section 428H or a Federal Di-
3 rect Unsubsidized Stafford Loan that was
4 made to an graduate student, the rate of
5 interest on such refinanced Federal Direct
6 Unsubsidized Stafford Loan shall be equal
7 to the rate of interest for a Federal Direct
8 Unsubsidized Stafford loan made to a
9 graduate student for which the first dis-
10 bursement is made on the date on which
11 the refinanced Federal Direct Unsub-
12 sidized Stafford Loan is made under this
13 section.

14 “(C) FEDERAL DIRECT PLUS LOANS.—In
15 the case of a refinanced Federal Direct PLUS
16 Loan for which the original loan was a loan
17 under section 428B or a Federal Direct PLUS
18 Loan, the rate of interest on such refinanced
19 Federal Direct PLUS loan shall be equal to the
20 rate of interest for a Federal Direct PLUS loan
21 for which the first disbursement is made on the
22 date on which the refinanced Federal Direct
23 PLUS loan is made under this section.

24 “(D) CONSOLIDATION LOANS.—In the case
25 of a refinanced Federal Direct Consolidation

1 Loan for which the original loan was a loan
2 under section 428C or a Federal Direct Con-
3 solidation Loan, the rate of interest of such re-
4 financed Federal Direct Consolidation Loan
5 shall be equal to the lower of a rate calculated
6 in accordance with paragraph (2).

7 “(2) INTEREST RATES FOR CONSOLIDATION
8 LOANS.—

9 “(A) METHOD OF CALCULATION.—In
10 order to determine the interest rate for any re-
11 financed Federal Direct Consolidation Loan
12 under paragraph (1)(D), the Secretary shall—

13 “(i) determine each of the component
14 loans that were originally consolidated in
15 the loan under section 428C or the Federal
16 Direct Consolidation Loan, and calculate
17 the proportion of the unpaid principal bal-
18 ance of the loan under section 428C or the
19 Federal Direct Consolidation Loan that
20 each component loan represents;

21 “(ii) use the proportions determined
22 in accordance with clause (i) and the inter-
23 est rate applicable for each component
24 loan, as determined under subparagraph
25 (B), to calculate the weighted average of

1 the interest rates on the loans consolidated
2 into the loan under section 428C or the
3 Federal Direct Consolidation Loan; and

4 “(iii) apply the weighted average cal-
5 culated under clause (ii) as the interest
6 rate for the refinanced Federal Direct Con-
7 solidation Loan.

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

13 “(i) FEDERAL DIRECT STAFFORD
14 LOANS.—

15 “(I) UNDERGRADUATE FDSL.—

16 The interest rate for any component
17 loan that is a loan under section 428
18 or a Federal Direct Stafford Loan
19 made to an undergraduate student
20 shall be a rate equal to the lesser of—

21 “(aa) the rate of interest for
22 a refinanced Federal Direct Staf-
23 ford loan determined under para-
24 graph (1)(A)(i) if such loan were
25 made on the date on which the

1 refinanced Federal Direct Con-
2 solidation Loan is made under
3 this section; or

4 “(bb) the original interest
5 rate of the component loan.

6 “(II) GRADUATE OR PROFES-
7 SIONAL FDSL.—The interest rate for
8 any component loan that is a loan
9 under section 428 or a Federal Direct
10 Stafford Loan made to a graduate or
11 professional student shall be a rate
12 equal to the lesser of—

13 “(aa) the rate of interest for
14 a refinanced Federal Direct Staf-
15 ford loan determined under para-
16 graph (1)(A)(ii) if such loan were
17 made on the date on which the
18 refinanced Federal Direct Con-
19 solidation Loan is made under
20 this section; or

21 “(bb) the original interest
22 rate of the component loan.

23 “(ii) FEDERAL DIRECT UNSUBSIDIZED
24 STAFFORD LOANS.—

1 “(I) UNDERGRADUATE FDUSL.—

2 The interest rate for any component
3 loan that is a loan under section
4 428H or a Federal Direct Unsub-
5 sidized Stafford Loan made to an un-
6 dergraduate student shall be a rate
7 equal to the lesser of—

8 “(aa) the rate of interest for
9 a refinanced Federal Direct Un-
10 subsidized Stafford loan deter-
11 mined under paragraph (1)(B)(i)
12 if such loan were made on the
13 date on which the refinanced
14 Federal Direct Consolidation
15 Loan is made under this section;
16 or

17 “(bb) the original interest
18 rate of the component loan.

19 “(II) GRADUATE FDUSL.—The
20 interest rate for any component loan
21 that is a loan under section 428H or
22 a Federal Direct Unsubsidized Staf-
23 ford Loan made to a graduate or pro-
24 fessional student shall be a rate equal
25 to the lesser of—

1 “(aa) the rate of interest for
2 a refinanced Federal Direct Un-
3 subsidized Stafford loan deter-
4 mined under paragraph (1)(B)(ii)
5 if such loan were made on the
6 date on which the refinanced
7 Federal Direct Consolidation
8 Loan is made under this section;
9 or

10 “(bb) the original interest
11 rate of the component loan.

12 “(iii) FEDERAL DIRECT PLUS
13 LOANS.—The interest rate for any compo-
14 nent loan that is a loan any loan under
15 section 428B or Federal Direct PLUS
16 Loan shall be a rate equal to the lesser
17 of—

18 “(I) the rate of interest for a re-
19 financed Federal Direct PLUS loan
20 determined under paragraph (1)(C) if
21 such loan were made on the date on
22 which the refinanced Federal Direct
23 Consolidation Loan is made under
24 this section; or

1 “(II) the original interest rate of
2 the component loan.

3 “(iv) FEDERAL DIRECT CONSOLIDA-
4 TION LOAN.—The interest rate for any
5 component loan that is a loan under sec-
6 tion 428C or a Federal Direct Consolida-
7 tion Loan shall be the weighted average of
8 the interest rates that would apply under
9 this subparagraph for each loan comprising
10 the component consolidation loan.

11 “(v) OTHER LOANS.—The interest
12 rate for any eligible loan that is a compo-
13 nent of a loan made under section 428C or
14 a Federal Direct Consolidation Loan and
15 is not described in clauses (i) through (iv)
16 shall be the interest rate on the original
17 component loan.

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

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

23 “(1) IN GENERAL.—Except as otherwise pro-
24 vided in this section, a loan that is refinanced under
25 this section shall have the same terms and condi-

1 tions as the original loan, including any suspensions
2 of payments or interest accrual under section 3513
3 of the Coronavirus Aid, Relief, and Economic Secu-
4 rity Act (20 U.S.C. 1001 note), or any extensions of
5 such suspensions.

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

15 “(3) LIMIT ON REFINANCING.—A loan made,
16 insured, or guaranteed under this title may not be
17 refinanced under this section more than twice during
18 a 10-year period.

19 “(e) NOTIFICATION TO BORROWERS.—The Sec-
20 retary, in coordination with the Director of the Bureau
21 of Consumer Financial Protection, shall undertake a cam-
22 paign to alert borrowers of loans that are eligible for refi-
23 nancing under this section that the borrowers are eligible
24 to apply for such refinancing. The campaign shall include
25 the following 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 (c) AMENDMENTS TO PUBLIC SERVICE REPAYMENT
 10 PLAN PROVISIONS.—Section 455(m) of the Higher Edu-
 11 cation Act of 1965 (20 U.S.C. 1087e(m)) is amended—

12 (1) by redesignating paragraphs (3) and (4) as
 13 paragraphs (4) and (5), respectively;

14 (2) by inserting after paragraph (2) the fol-
 15 lowing:

16 “(3) SPECIAL RULES FOR SECTION 460A
 17 LOANS.—

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

1 monthly payments made on the original loan
2 that meet the requirements of such paragraph.

3 “(B) REFINANCED FFEL LOANS.—In the
4 case of an eligible Federal Direct Loan refi-
5 nanced under section 460A that was originally
6 a loan under part B, only monthly payments
7 made after the date on which the loan was refi-
8 nanced may be included for purposes of para-
9 graph (1).”; and

10 (3) in paragraph (4)(A) (as redesignated by
11 paragraph (1)), by inserting “(including any Federal
12 Direct Stafford Loan, Federal Direct PLUS Loan,
13 Federal Direct Unsubsidized Stafford Loan, or Fed-
14 eral Direct Consolidation Loan refinanced under sec-
15 tion 460A)” before the period at the end.

16 (d) INCOME-CONTINGENT REPAYMENT.—Section
17 455(e) of the Higher Education Act of 1965 (20 U.S.C.
18 1087e(e)) is amended by adding at the end the following:

19 “(9) SPECIAL RULE FOR REFINANCED
20 LOANS.—In calculating the period of time during
21 which a borrower of a loan that is refinanced under
22 section 460A has made monthly payments for pur-
23 poses of paragraph (7), the Secretary shall deem the
24 period to include all monthly payments made for the
25 original loan, and all monthly payments made for

1 the refinanced loan, that otherwise meet the require-
2 ments of this subsection.”.

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

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

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