

112TH CONGRESS
1ST SESSION

H. R. 2410

To establish a temporary private education loan debt consolidation program to assist eligible borrowers in refinancing all or a portion of their private education debt as Federal Direct Consolidation Loans.

IN THE HOUSE OF REPRESENTATIVES

JULY 6, 2011

Mr. TOWNS (for himself, Mr. PAYNE, Mr. JACKSON of Illinois, Ms. MOORE, Mr. JOHNSON of Georgia, Ms. FUDGE, Mr. MEEKS, and Mr. CARSON of Indiana) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To establish a temporary private education loan debt consolidation program to assist eligible borrowers in refinancing all or a portion of their private education debt as Federal Direct Consolidation 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; PURPOSE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “College Debt Swap Act of 2011”.

6 (b) PURPOSE.—The purpose of this Act is to estab-
7 lish a temporary private education loan debt consolidation

1 program to assist eligible borrowers in refinancing all or
2 a portion of their private education debt as Federal Direct
3 Consolidation Loans.

4 **SEC. 2. CONSOLIDATION OF PRIVATE EDUCATION LOANS.**

5 Section 455(g) of the Higher Education Act of 1965
6 (20 U.S.C. 1087e(g)) is amended—

7 (1) by striking “A borrower” and inserting the
8 following:

9 “(1) IN GENERAL.—A borrower”;

10 (2) by inserting “, and any loan described in
11 paragraph (2),” after “July 1, 2010”; and

12 (3) by adding at the end the following new
13 paragraph:

14 “(2) CONSOLIDATION OF PRIVATE EDUCATION
15 LOANS AS A FEDERAL DIRECT CONSOLIDATION
16 LOAN.—

17 “(A) IN GENERAL.—Notwithstanding any
18 other provision of law, a borrower who meets
19 the eligibility criteria described in paragraph
20 (1) and subparagraph (B) of this paragraph
21 shall be eligible to obtain a Federal Direct Con-
22 solidation loan under this paragraph that—

23 “(i) shall include an eligible private
24 education loan; and

1 “(ii) may include a loan described in
2 section 428C(a)(4).

3 “(B) ELIGIBLE BORROWER.—A borrower
4 of an eligible private education loan is eligible
5 to obtain a Federal Direct Consolidation Loan
6 under this paragraph if the borrower—

7 “(i) is not in default on a loan made,
8 insured, or guaranteed under this title or
9 in default (as such term is defined in sec-
10 tion 435(l)) on any eligible private edu-
11 cation loan that the borrower is seeking to
12 consolidate under this paragraph, except
13 that a borrower who entered such default
14 at any time during the period beginning on
15 December 1, 2007, through December 31,
16 2009, due to an economic hardship (as
17 such term is defined in section 435(o)), as
18 determined by the Secretary, shall not be
19 ineligible under this clause;

20 “(ii) was—

21 “(I) at any time on or after July
22 1, 1994, and before July 1, 2010, en-
23 rolled as an undergraduate, graduate,
24 or professional student who was eligi-
25 ble to borrow a loan under section

1 428H or a Federal Direct Unsub-
2 sidized Stafford Loan; or

3 “(II) at any time on or after July
4 1, 2006, and July 1, 2010, enrolled as
5 a graduate or professional student
6 who was eligible to borrow a loan
7 under section 428B or a Federal Di-
8 rect PLUS loan;

9 “(iii) borrowed at least one eligible
10 private education loan for a period of en-
11 rollment described in clause (ii);

12 “(iv) is in—

13 “(I) repayment status on the eli-
14 gible private education loan that the
15 borrower is seeking to consolidate
16 under this paragraph; or

17 “(II) a grace period preceding re-
18 payment on such loan;

19 “(v) with respect to Federal Direct
20 PLUS loans, does not have an adverse
21 credit history, as such term is defined by
22 the Secretary by regulation; and

23 “(vi) has not previously obtained a
24 Federal Direct Consolidation Loan under
25 this paragraph.

1 “(C) DEFINITION OF ELIGIBLE PRIVATE
2 EDUCATION LOAN.—For purposes of this para-
3 graph, the term ‘eligible private education loan’
4 means a private education loan (as such term
5 is defined in section 140 of the Truth in Lend-
6 ing Act (15 U.S.C. 1650)) that was disbursed
7 to a borrower on or after July 1, 1994, and be-
8 fore July 1, 2010.

9 “(D) AMOUNT THAT MAY BE CONSOLI-
10 DATED.—The aggregate maximum amount of
11 eligible private education loans that may be
12 consolidated by a borrower under this para-
13 graph is—

14 “(i) for loans made to a borrower for
15 a period of enrollment described in sub-
16 paragraph (B)(ii)(I), an amount equal to
17 the amount of outstanding principal, ac-
18 crued interest, and related fees and costs
19 (as determined by the Secretary) owed by
20 the borrower on eligible private education
21 loans, except that the outstanding principal
22 on the eligible private education loans shall
23 not exceed—

24 “(I) the maximum aggregate
25 amount of loans under section 428H,

1 as of the date of the enactment of the
2 College Debt Swap Act of 2011—

3 “(aa) for an undergraduate
4 dependent student, if the bor-
5 rower was enrolled as an under-
6 graduate dependent student dur-
7 ing the period of enrollment;

8 “(bb) for an undergraduate
9 independent student, if the bor-
10 rower was enrolled as an under-
11 graduate independent student
12 during the period of enrollment;

13 or

14 “(cc) for a graduate or pro-
15 fessional student, if the borrower
16 was enrolled as a graduate or
17 professional student during the
18 period of enrollment;

19 minus

20 “(II) the aggregate amount of
21 loans under section 428H and Federal
22 Direct Unsubsidized Stafford Loans
23 borrowed by the borrower for such pe-
24 riod of enrollment; plus

1 “(ii) for loans made to a borrower for
2 a period of enrollment described in sub-
3 paragraph (B)(ii)(II), an amount equal
4 to—

5 “(I) the total outstanding prin-
6 cipal, accrued interest, and related
7 fees and costs (as determined by the
8 Secretary) owed by the borrower on
9 eligible private education loans; minus

10 “(II) the aggregate amount of
11 loans under section 428B and Federal
12 Direct PLUS loans borrowed by the
13 borrower for such period of enroll-
14 ment.

15 “(E) INTEREST RATE.—Notwithstanding
16 subsection (b), a Federal Direct Consolidation
17 loan made under this paragraph shall bear in-
18 terest at an annual rate on the unpaid principal
19 balance of the loan that is the weighted aver-
20 age, rounded to the nearest higher one-eighth of
21 1 percent, of—

22 “(i) for loans consolidated under this
23 paragraph that were made to a borrower
24 for a period described in subparagraph
25 (B)(ii)(I), the interest rate for a Federal

1 Direct Unsubsidized Stafford Loan for
2 which the first disbursement is made on
3 the day before the date of enactment of the
4 College Debt Swap Act of 2011; and

5 “(ii) for loans consolidated under this
6 paragraph that were made to a borrower
7 for a period described in subparagraph
8 (B)(ii)(II), the interest rate for a Federal
9 Direct PLUS loan for which the first dis-
10 bursement is made on the day before the
11 date of enactment of the College Debt
12 Swap Act of 2011.

13 “(F) PAYMENT TO THE HOLDER.—

14 “(i) SECRETARY.—For each eligible
15 private education loan that a borrower is
16 consolidating under this paragraph, the
17 Secretary shall make a payment to the
18 holder of such loan in an amount equal to
19 the amount consolidated under this para-
20 graph with respect to such loan.

21 “(ii) HOLDER.—Upon receipt of a
22 payment described in clause (i), a holder
23 shall discharge the liability on the loan
24 consolidated under this paragraph in the
25 amount of such payment.

1 “(G) OUTREACH ACTIVITIES REQUIRED.—

2 “(i) IN GENERAL.—The Secretary
3 shall conduct outreach activities described
4 in clause (ii) to inform and educate stu-
5 dents and their families about the tem-
6 porary private education loan consolidation
7 program under this paragraph.

8 “(ii) REQUIRED COMPONENTS OF
9 OUTREACH.—The Secretary shall provide
10 for the broad dissemination of information
11 on the program under this paragraph by—

12 “(I) operating and maintaining
13 an Internet website through which in-
14 dividuals may obtain information on
15 changes made to the program;

16 “(II) developing and dissemi-
17 nating information to alumni of un-
18 dergraduate, graduate, and profes-
19 sional schools who may be eligible for
20 the program;

21 “(III) providing assistance to in-
22 stitutions of higher education to edu-
23 cate graduates on the availability of
24 the program; and

1 “(IV) ensuring that all outreach
2 efforts are developed using plain lan-
3 guage and are culturally- and lan-
4 guage-appropriate.

5 “(iii) USE OF OTHER ENTITIES.—In
6 carrying out this subparagraph, the Sec-
7 retary may work with other appropriate
8 entities to facilitate the dissemination of
9 information under this subparagraph and
10 provide assistance as described in this sub-
11 paragraph.

12 “(H) AUTHORIZATION AND APPROPRIA-
13 TION.—There are authorized to be appro-
14 priated, and there are appropriated, such sums
15 as may be necessary to carry out this para-
16 graph. The amounts made available under this
17 subparagraph shall remain available until June
18 30, 2012.

19 “(I) PERIOD OF AUTHORITY.—The author-
20 ity to make Federal Direct Consolidation loans
21 under this paragraph shall begin 30 days after
22 the date of the enactment of the College Debt
23 Swap Act of 2011 and shall expire on June 30,
24 2012.”.

1 **SEC. 3. CONFORMING AMENDMENT.**

2 Section 428C(a)(3)(B)(i)(V) of the Higher Education
3 Act of 1965 (20 U.S.C. 1078–3(a)(3)(B)(i)(V)) is amend-
4 ed—

5 (1) by striking “or” at the end of item (bb);

6 (2) by striking the period at the end of item
7 (cc) and inserting “; or”; and

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

9 “(dd) for the purpose of
10 consolidating an eligible private
11 education loan under section
12 455(g)(2), whether such loan is
13 consolidated only with other eligi-
14 ble private education loans or
15 consolidated with loans described
16 in paragraph (4).”.

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