

112TH CONGRESS  
1ST SESSION

# H. R. 2732

To amend the Higher Education Act of 1965 to provide for temporary student loan debt conversion authority.

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IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2011

Mr. BISHOP of New York introduced the following bill; which was referred to the Committee on Education and the Workforce

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## A BILL

To amend the Higher Education Act of 1965 to provide for temporary student loan debt conversion authority.

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 Sim-  
5 plification and Opportunity Act of 2011”.

6 **SEC. 2. TEMPORARY STUDENT LOAN DEBT CONVERSION**

7 **AUTHORITY.**

8 (a) REPEAL.—

1           (1) IN GENERAL.—Section 459A of the Higher  
2 Education Act of 1965 (20 U.S.C. 1087i–1) is re-  
3 pealed.

4           (2) CONFORMING AMENDMENTS.—Part D of  
5 the Higher Education Act of 1965 (20 U.S.C. 1087a  
6 et seq.) is amended—

7           (A) in section 451(a) (20 U.S.C. 1087a),  
8 by striking “(1) to make loans to all eligible  
9 students (and the eligible parents of such stu-  
10 dents) in attendance at participating institu-  
11 tions of higher education selected by the Sec-  
12 retary, to enable such students to pursue their  
13 courses of study at such institutions during the  
14 period beginning July 1, 1994; and (2) for pur-  
15 chasing loans under section 459A.” and insert-  
16 ing “to make loans to all eligible students (and  
17 the eligible parents of such students) in attend-  
18 ance at participating institutions of higher edu-  
19 cation selected by the Secretary, to enable such  
20 students to pursue their courses of study at  
21 such institutions during the period beginning  
22 July 1, 1994.”; and

23           (B) in section 459B(a)(2)(B) (20 U.S.C.  
24 1087i–2(a)(2)(B)), by striking “purchased by  
25 the Secretary pursuant to section 459A” and

1 inserting “purchased by the Secretary pursuant  
2 to section 459A under the terms of that provi-  
3 sion in effect on or before June 30, 2010, or  
4 converted by the Secretary pursuant to section  
5 459A”.

6 (b) STUDENT LOAN DEBT CONVERSION.—Part D of  
7 title IV of the Higher Education Act of 1965 (20 U.S.C.  
8 1087a et seq.) is amended by inserting after section 459  
9 the following:

10 **“SEC. 459A. TEMPORARY AUTHORITY TO CONVERT STU-**  
11 **DENT LOAN DEBT.**

12 “(a) IN GENERAL.—

13 “(1) AUTHORITY.—The Secretary shall, at the  
14 request of an eligible borrower (as described in sub-  
15 section (b)), convert an eligible student loan debt (as  
16 described in subsection (c)) into a Federal debt by  
17 paying the holder of the eligible student loan the  
18 outstanding balance of principal and interest on that  
19 loan, and the borrower shall enter into an agreement  
20 to repay to the Secretary the amount advanced to  
21 convert the debt to a Federal debt.

22 “(2) DURATION OF AUTHORITY.—The Sec-  
23 retary shall convert eligible student loan debt under  
24 this section for those eligible borrowers whose appli-

1 cations for conversion are received on or after Janu-  
2 ary 1, 2012, and before October 1, 2012.

3 “(3) DESIGNATION OF LOAN.—The repayment  
4 obligation of the borrower whose eligible student  
5 loan debt was repaid by the Secretary and converted  
6 to a Federal debt under this section shall be referred  
7 to as a ‘FFEL Debt Conversion Loan’.

8 “(b) ELIGIBLE BORROWER.—A borrower is eligible  
9 for a FFEL Debt Conversion Loan if the borrower, in ad-  
10 dition to the loans described in subsection (c), has an out-  
11 standing loan that was made under this part, or an out-  
12 standing loan that was purchased by the Secretary pursu-  
13 ant to section 459A under the terms of that provision in  
14 effect on or before June 30, 2010.

15 “(c) ELIGIBLE STUDENT LOAN DEBT.—A student  
16 loan of an eligible borrower is eligible for payment by a  
17 FFEL Debt Conversion Loan if—

18 “(1) the loan was made, insured, or guaranteed  
19 under part B, and not previously purchased by the  
20 Secretary pursuant to section 459A under the terms  
21 of that provision in effect on or before June 30,  
22 2010;

23 “(2) the loan is not in default; and

24 “(3) the loan is not delinquent for 270 days or  
25 more.

1       “(d) TERMS AND CONDITIONS OF DEBT CONVER-  
2 SION LOANS.—

3               “(1) CONTINUATION OF TERMS.—A FFEL  
4 Debt Conversion Loan shall be repayable by the bor-  
5 rower under the same terms and conditions as were  
6 applicable under the promissory note signed by the  
7 borrower for the eligible student loan debt being re-  
8 paid by the Secretary under this section, including  
9 such terms as applied when the borrower entered re-  
10 payment, and the availability of grace periods and  
11 deferments.

12               “(2) AGGREGATE LOAN LIMITS.—Notwith-  
13 standing any other provision of this title, a FFEL  
14 Debt Conversion Loan shall be included in the cal-  
15 culation of the aggregate loan limit that was applica-  
16 ble to the borrower’s eligible student loan for which  
17 the FFEL Debt Conversion Loan was obtained.

18               “(3) OTHER TERMS.—

19                       “(A) FFEL TERMS.—Other borrower ben-  
20 efits offered by the originating lender or the  
21 holder of the eligible student loan being repaid  
22 that are not specified in part B or in the bor-  
23 rower’s promissory note for that loan are not  
24 available with respect to a FFEL Debt Conver-  
25 sion Loan.

1           “(B) DIRECT LOAN TERMS.—Except as  
2 provided in paragraph (5), benefits offered only  
3 for loans made under this part are not available  
4 with respect to a FFEL Debt Conversion Loan.

5           “(4) FEES.—

6           “(A) NO FEES IMPOSED BY SECRETARY.—  
7 The Secretary shall not charge the borrower  
8 any origination or other fee for the making of  
9 a FFEL Debt Conversion Loan.

10           “(B) NO FEES IMPOSED BY HOLDER OF  
11 ELIGIBLE STUDENT LOAN DEBT.—Notwith-  
12 standing any other provision of law, the holder  
13 of an eligible student loan shall not charge the  
14 Secretary or the borrower any origination or  
15 other fee, including any fee for providing the in-  
16 formation described in subsection (e), for the  
17 conversion of the eligible student loan debt to a  
18 FFEL Debt Conversion Loan.

19           “(5) FFEL DEBT CONVERSION BENEFITS.—  
20 The Secretary may offer benefits to a borrower of a  
21 FFEL Debt Conversion Loan, in an amount that  
22 shall not exceed 2 percent of the amount advanced  
23 on the FFEL Debt Conversion Loan, which may in-  
24 clude payments to borrowers, reductions in the out-  
25 standing principal and interest on the FFEL Debt

1 Conversion Loan, or such other benefits as the Sec-  
2 retary may establish.

3 “(e) INFORMATION FROM HOLDERS OF STUDENT  
4 LOAN DEBT ELIGIBLE FOR CONVERSION.—A holder of an  
5 eligible student loan shall promptly provide the Secretary  
6 with the amount outstanding and such other information  
7 as may be needed to convert that debt under this section.

8 “(f) NOTIFICATION.—Not later than December 1,  
9 2011, the Secretary shall notify eligible borrowers—

10 “(1) of their eligibility to convert an eligible  
11 student loan debt under this section; and

12 “(2) of the time frame for applying for such  
13 conversion.”.

14 (c) CONFORMING AMENDMENTS.—

15 (1) COHORT DEFAULT RATE.—Section  
16 435(m)(2) of the Higher Education Act of 1965 (20  
17 U.S.C. 1085(m)(2)) is amended by adding at the  
18 end the following:

19 “(E) For purposes of this subsection, a  
20 borrower who obtains a FFEL Debt Conversion  
21 Loan under section 459A shall continue to be  
22 considered as having entered repayment on the  
23 date the borrower entered repayment on the eli-  
24 gible student loan debt that was repaid by the

1 Secretary and converted to a Federal debt  
2 under that section.”.

3 (2) CONTRACTS.—Section 456(b) of the Higher  
4 Education Act of 1965 (20 U.S.C. 1087f(b)) is  
5 amended—

6 (A) in paragraph (2), by inserting “, con-  
7 verted,” after “made”; and

8 (B) in paragraph (3), by inserting “, con-  
9 verted,” after “made”.

10 (3) FEDERAL CONSOLIDATION LOANS.—Section  
11 428C(a)(4)(C) of the Higher Education Act of 1965  
12 (20 U.S.C. 1078–3(a)(4)(C)) is amended by insert-  
13 ing “or converted” after “made”.

14 (4) INCOME-BASED REPAYMENT.—Section 493C  
15 of the Higher Education Act of 1965 (20 U.S.C.  
16 1098e) is amended—

17 (A) in subsection (a)(3)(A), by inserting  
18 “converted,” after “made,”;

19 (B) in subsection (b)(1), by inserting “con-  
20 verted,” after “made,”; and

21 (C) in subsection (c), by inserting “con-  
22 verted,” after “made,”.

23 (d) INAPPLICABILITY OF TITLE IV NEGOTIATED  
24 RULEMAKING AND MASTER CALENDAR EXCEPTION.—  
25 Sections 482(e) and 492 of the Higher Education Act of



1 1965 (20 U.S.C. 1089(c), 1098a) shall not apply to the  
2 amendments made by this section, or to any regulations  
3 promulgated under those amendments.

4 (e) ANNUAL COST ESTIMATE.—Notwithstanding any  
5 other provision of this Act or an amendment made by this  
6 Act, the Secretary of Education shall carry out the re-  
7 quirement of section 459A(e)(3) of the Higher Education  
8 Act of 1965, as in effect on the day before the date of  
9 enactment of this Act, with respect to the annual cost esti-  
10 mates required to be submitted not later than February  
11 15, 2012.

12 (f) FUNDS FOR FEDERAL PELL GRANTS.—The pro-  
13 ceeds to the Federal Government from the temporary au-  
14 thority to convert student loan debt provided by the  
15 amendments made by this Act shall be used to carry out  
16 Federal Pell Grants under section 401 of the Higher Edu-  
17 cation Act of 1965 (20 U.S.C. 1070a).

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