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.

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

A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Coronavirus Emergency Student Loan Refinancing Act''.

SEC. 2. 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 Coronavirus Emergency Student Loan Refinancing Act, the Secretary shall establish a program under which the Secretary, upon the receipt of an application from a qualified 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) FEDERAL DIRECT LOANS.—Upon application of a qualified borrower, the Secretary shall repay a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan of the qualified borrower, with the proceeds of a refinanced Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan, respectively, issued to the borrower in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the original loan.

"(2) REFINANCING FFEL PROGRAM LOANS AS REFINANCED FEDERAL DIRECT LOANS.—Upon application of a qualified borrower for any loan that was made, insured, or guaranteed under part B, the Secretary shall make a loan under this part, in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the original loan to the borrower in accordance with the following:

"(A) The Secretary shall pay the proceeds of such loan to the eligible lender of the loan made, insured, or guaranteed under part B, in order to discharge the borrower from any remaining obligation to the lender with respect to the original loan.

"(B) A loan made under this section that was originally a loan made, insured, or guaranteed—

"(i) under section 428 shall be a Federal Direct Stafford Loan;

"(ii) under section 428B shall be a Federal Direct PLUS Loan;

"(iii) under section 428H shall be a Federal Direct Unsubsidized Stafford Loan; and

"(iv) under section 428C shall be a Federal Direct Consolidation Loan.

"(3) APPLICABLE INTEREST RATE.—The interest rate for each loan made by the Secretary under this subsection shall be the rate provided under subsection (c).

"(c) INTEREST RATES.—

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

"(A) 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 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:

"(i) The interest rate for any loan under section 428 or 428H, Federal Direct Stafford Loan, or Federal Direct Unsubsidized Stafford Loan issued to an undergraduate student shall be a rate equal to the lesser of—

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

"(II) the original interest rate of the component loan.

"(ii) The interest rate for any loan under section 428 or 428H, Federal Direct Stafford Loan, or Federal Direct Unsubsidized Stafford Loan issued to a graduate or professional student shall be a rate equal to the lesser of—

"(I) the rate for Federal Direct Unsubsidized Stafford Loans issued to graduate or professional students for the 12-month period beginning on

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

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

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

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

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

“(iv) The interest rate for any component loan that is a loan under section 428C or a Federal Direct Consolidation Loan shall be the weighted average of the interest rates that would apply under this subparagraph for each loan comprising the component consolidation loan.

“(v) The interest rate for any eligible loan that is a component of a loan made under section 428C or a Federal Direct Consolidation Loan and is not described in clauses (i) through (iv) shall be the interest rate on the original component loan.

"(3) FIXED RATE.—The applicable rate of interest determined under paragraph (1) for a refinanced loan under this section shall be fixed for the period of the loan.

"(d) TERMS AND CONDITIONS OF LOANS.—

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

"(2) NO AUTOMATIC EXTENSION OF REPAYMENT PERIOD.—Refinancing a loan under this section shall not result in the extension of the duration of the repayment period of the loan, and the borrower shall retain the same repayment term that was in effect on the original loan. Nothing in this paragraph shall be construed to prevent a borrower from electing a different repayment plan at any time in accordance with section 455(d)(3).

"(e) DEFINITION OF QUALIFIED BORROWER.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified borrower' means a borrower—

"(A) of a loan under this part or part B; and

"(B) who meets the eligibility requirements based on income or debt-to-income ratio established by the Secretary.

"(2) INCOME REQUIREMENTS.—Not later than 30 days after the date of enactment of the Coronavirus Emergency Student Loan Refinancing Act, the Secretary shall establish eligibility requirements based on income or debt-to-income ratio that take into consideration providing access to refinancing under this section for borrowers with the greatest financial need.

"(f) NOTIFICATION TO BORROWERS.—The Secretary, in coordination with the Director of the Bureau of Consumer Financial Protection, shall undertake a campaign to alert borrowers of loans that are eligible for refinancing under this section that the borrowers are eligible to apply for such refinancing. The campaign shall include the following activities:

"(1) Developing consumer information materials about the availability of Federal student loan refinancing.

"(2) Requiring servicers of loans under this part or part B to provide such consumer information to borrowers in a manner determined appropriate by the Secretary, in consultation with the Director of the Bureau of Consumer Financial Protection.''.

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

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

(2) by inserting after paragraph (2) the following:

''(3) SPECIAL RULES FOR SECTION 460A LOANS.—

''(A) REFINANCED FEDERAL DIRECT LOANS.—Notwithstanding paragraph (1), in determining the number of monthly payments that meet the requirements of such paragraph for an eligible Federal Direct Loan refinanced under section 460A that was originally a loan under this part, the Secretary shall include all monthly payments made on the original loan that meet the requirements of such paragraph.

''(B) REFINANCED FFEL LOANS.—In the case of an eligible Federal Direct Loan refinanced under section 460A that was originally a loan under part B, only monthly payments made after the date on which the loan was refinanced may be included for purposes of paragraph (1).''; and

(3) in paragraph (4)(A) (as redesignated by paragraph (1)), by inserting ``(including any Federal Direct Stafford Loan, Federal Direct PLUS Loan, Federal Direct Unsubsidized Stafford Loan, or Federal Direct Consolidation Loan refinanced under section 460A)'' before the period at the end.

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

``(f) SPECIAL RULE FOR REFINANCED LOANS.—In calculating the period of time during which a borrower of a loan that is refinanced under section 460A has made monthly payments for purposes of subsection (b)(7), the Secretary shall deem the period to include all monthly payments made for the original loan, and all monthly payments made for the refinanced loan, that otherwise meet the requirements of this section.''.

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