

113TH CONGRESS
1ST SESSION

S. 1066

To allow certain student loan borrowers to refinance Federal student loans.

IN THE SENATE OF THE UNITED STATES

MAY 23, 2013

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

A BILL

To allow certain student loan borrowers to refinance Federal student 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.**

4 This Act may be cited as the “Federal Student Loan
5 Refinancing Act”.

6 **SEC. 2. STUDENT LOAN CONSOLIDATION.**

7 Section 459B of the Higher Education Act of 1965
8 (20 U.S.C. 1087i–2) is amended—

9 (1) in subsection (a)(3), by striking “section”
10 and inserting “subsection”;

1 (2) in subsection (b), by striking “this section”
 2 and inserting “subsection (a)” each place the term
 3 appears; and

4 (3) by inserting at the end the following:

5 “(c) TEMPORARY LOAN CONSOLIDATION AUTHORITY
 6 FOR CERTAIN LOANS MADE AFTER JULY 1, 2006.—

7 “(1) LOAN CONSOLIDATION AUTHORITY.—

8 “(A) IN GENERAL.—A borrower who has 1
 9 or more loans in a category described in sub-
 10 paragraph (B) may consolidate all of the loans
 11 of the borrower that are described in subpara-
 12 graph (B) into a Federal Direct Consolidation
 13 Loan during the period described in subpara-
 14 graph (C).

15 “(B) CATEGORIES OF LOANS THAT MAY BE
 16 CONSOLIDATED.—The categories of loans that
 17 may be consolidated under subparagraph (A)
 18 are loans made on or after July 1, 2006, that
 19 are—

20 “(i) loans made under this part;

21 “(ii) loans purchased by the Secretary
 22 pursuant to section 459A; and

23 “(iii) loans made under part B that
 24 are held by an eligible lender, as such term
 25 is defined in section 435(d).

1 “(C) TIME PERIOD IN WHICH LOANS MAY
2 BE CONSOLIDATED.—

3 “(i) FEDERAL DIRECT LOANS.—In the
4 case of a borrower who has 1 or more
5 loans described under subparagraph (B)(i),
6 the Secretary shall—

7 “(I) consolidate the loans de-
8 scribed under subparagraph (B)(i) not
9 later than 90 days after the date of
10 enactment of the Federal Student
11 Loan Refinancing Act; and

12 “(II) notify the borrower, in writ-
13 ing, prior to such consolidation that—

14 “(aa) the borrower’s loans
15 under this part have been con-
16 solidated at a lower interest rate;
17 and

18 “(bb) the borrower’s repay-
19 ment plan and the other terms
20 and conditions of the borrower’s
21 loan remain unchanged.

22 “(ii) OTHER LOANS.—In the case of a
23 borrower who has 1 or more loans de-
24 scribed under clause (ii) or (iii) of subpara-
25 graph (B), the Secretary shall—

1 “(I) initiate the loan consolida-
2 tion process for the loans described
3 under clause (ii) or (iii) of subpara-
4 graph (B), not later than 90 days
5 after the date of enactment of the
6 Federal Student Loan Refinancing
7 Act, by sending a completed loan con-
8 solidation application to the borrower;

9 “(II) notify the borrower, as part
10 of such application, that a fee will be
11 assessed and that the interest rate of
12 the Federal Direct Consolidation
13 Loan will be set in accordance with
14 paragraph (2); and

15 “(III) notify the borrower, as
16 part of such application, that if the
17 borrower wishes to consolidate in ac-
18 cordance with the completed applica-
19 tion, the borrower must endorse the
20 application and submit the application
21 to the Secretary not more than 6
22 months after receipt of the applica-
23 tion.

1 “(2) TERMS OF LOANS.—The following terms
2 and conditions shall apply to a Federal Direct Con-
3 solidation Loan made under this subsection:

4 “(A) The applicable rate of interest on a
5 Federal Direct Consolidation Loan made under
6 this subsection shall be—

7 “(i) 4 percent; or

8 “(ii) in a case in which the weighted
9 average of the interest rates on the out-
10 standing loans of a borrower that will be
11 consolidated is less than 4 percent, the
12 lesser of—

13 “(I) the weighted average of the
14 interest rates on the outstanding
15 loans of a borrower that will be con-
16 solidated; or

17 “(II) a rate of interest equal to—

18 “(aa) 4 percent; minus

19 “(bb) 0.4 percent of the
20 principal balance of the consoli-
21 dation loan, at the time of con-
22 solidation.

23 “(B) In the case of a loan consolidated
24 under paragraph (1)(C)(ii), an origination fee
25 equal to 0.4 percent of the principal balance of

1 the consolidation loan, at the time of consolida-
2 tion, will be added to the principal balance of
3 the loan, and the Secretary shall use the fee to
4 cover the cost of making and servicing the loan.

5 “(C) If 1 or more of the loans being con-
6 solidated is a loan described under subpara-
7 graph (B)(iii), the interest rate on the Federal
8 Direct Consolidation Loan under this sub-
9 section shall be reduced by 0.25 percent.

10 “(D) Any benefit a borrower is receiving or
11 earning at the time a Federal Direct Consolida-
12 tion loan is issued under this subsection shall
13 not be affected by consolidation under this sec-
14 tion, including benefits such as a deferment or
15 forbearance, accumulation of monthly payments
16 as part of the public service loan forgiveness
17 program under section 455(m), accumulation of
18 monthly payments toward a loan discharge
19 under the income-based repayment plan under
20 section 493C, participation in a particular re-
21 payment plan, and other benefits to the bor-
22 rower.”.

1 **SEC. 3. EXEMPTIONS FROM OTHER LAWS.**

2 (a) EXEMPTION FROM THE PAPERWORK REDUCTION
3 ACT.—Chapter 35 of title 44, United States Code, shall
4 not apply to this Act.

5 (b) INAPPLICABILITY OF RULEMAKING REQUIRE-
6 MENTS.—Sections 482(c) and 492 of the Higher Edu-
7 cation Act of 1965 (20 U.S.C. 1089(c), 1098a) and sec-
8 tion 553 of title 5, United States Code, shall not apply
9 to the amendments made by this Act, or to any regulations
10 promulgated under such amendments.

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