

113TH CONGRESS  
1ST SESSION

# S. 909

To amend the Federal Direct Loan Program under the Higher Education Act of 1965 to provide for student loan affordability, and for other purposes.

---

## IN THE SENATE OF THE UNITED STATES

MAY 8, 2013

Mr. REED (for himself and Mr. DURBIN) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

---

## A BILL

To amend the Federal Direct Loan Program under the Higher Education Act of 1965 to provide for student loan affordability, 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 “Responsible Student  
5 Loan Solutions Act”.

6 **SEC. 2. STUDENT LOAN AFFORDABILITY.**

7 (a) TERMS AND CONDITIONS OF FEDERAL DIRECT  
8 LOANS.—Section 455 of the Higher Education Act of  
9 1965 (20 U.S.C. 1087e) is amended—

1 (1) in subsection (a), by adding at the end the  
2 following:

3 “(4) FEDERAL DIRECT STAFFORD LOAN LIMITS  
4 FOR NEW LOANS ON OR AFTER JULY 1, 2013.—

5 “(A) AGGREGATE LOAN LIMITS.—Notwith-  
6 standing any other provision of this Act, with  
7 respect to Federal Direct Stafford Loans for  
8 which the first disbursement is made on or  
9 after July 1, 2013, the aggregate unpaid prin-  
10 cipal amount for all such loans made on or  
11 after such date (and including Federal Direct  
12 Stafford Loans first disbursed before such date)  
13 to any student shall not at any time exceed—

14 “(i) \$31,000, in the case of any de-  
15 pendent student (except an undergraduate  
16 dependent student whose parents are un-  
17 able to borrow under the Federal Direct  
18 PLUS Loan Program) who has not suc-  
19 cessfully completed a program of under-  
20 graduate education; or

21 “(ii) \$57,500, in the case of any inde-  
22 pendent student, or an undergraduate de-  
23 pendent student whose parents are unable  
24 to borrow under the Federal Direct PLUS  
25 Loan Program, who has not successfully

1 completed a program of undergraduate  
2 education.

3 “(B) ANNUAL LOAN LIMITS.—Notwith-  
4 standing any other provision of this Act, with  
5 respect to Federal Direct Stafford Loans for  
6 which the first disbursement is made on or  
7 after July 1, 2013, the maximum annual  
8 amount for all such loans made on or after such  
9 date a student who has not successfully com-  
10 pleted a program of undergraduate education  
11 may borrow in any academic year shall not at  
12 any time exceed—

13 “(i) in the case of a dependent stu-  
14 dent (except an undergraduate dependent  
15 student whose parents are unable to bor-  
16 row under the Federal Direct PLUS Loan  
17 Program)—

18 “(I) who has not successfully  
19 completed the first year of a program  
20 of undergraduate education, \$5,500;

21 “(II) who has successfully com-  
22 pleted such first year but has not suc-  
23 cessfully completed the remainder of a  
24 program of undergraduate education,  
25 \$6,500; and

1           “(III) who has successfully com-  
2           pleted the first and second years of a  
3           program of undergraduate education  
4           but has not successfully completed the  
5           remainder of such program, \$7,500;  
6           and

7           “(ii) in the case of an independent  
8           student, or an undergraduate dependent  
9           student whose parents are unable to bor-  
10          row under the Federal Direct PLUS Loan  
11          Program—

12           “(I) who has not successfully  
13           completed the first year of a program  
14           of undergraduate education, \$9,500;

15           “(II) who has successfully com-  
16           pleted such first year but has not suc-  
17           cessfully completed the remainder of a  
18           program of undergraduate education,  
19           \$10,500; and

20           “(III) who has successfully com-  
21           pleted the first and second years of a  
22           program of undergraduate education  
23           but has not successfully completed the  
24           remainder of such program,  
25           \$12,500.”;

1 (2) in subsection (b)—

2 (A) in paragraph (7)—

3 (i) in the paragraph heading, by in-  
4 serting “, AND BEFORE JULY 1, 2013” after  
5 “2006”;

6 (ii) in subparagraph (A), by inserting  
7 “and before July 1, 2013,” after “2006,”;

8 (iii) in subparagraph (B), by inserting  
9 “and before July 1, 2013,” after “2006,”;

10 and

11 (iv) in subparagraph (C), by inserting  
12 “and before July 1, 2013,” after “2006,”;

13 (B) by redesignating paragraphs (8) and  
14 (9) as paragraphs (9) and (10), respectively;

15 and

16 (C) by inserting after paragraph (7) the  
17 following:

18 “(8) INTEREST RATES FOR NEW LOANS ON OR  
19 AFTER JULY 1, 2013.—

20 “(A) RATES FOR FDSL AND FDUSL.—Not-  
21 withstanding the preceding paragraphs of this  
22 subsection, for—

23 “(i) Federal Direct Stafford Loans for  
24 which the first disbursement is made on or  
25 after July 1, 2013, the applicable rate of

1 interest shall, during any 12-month period  
2 beginning on July 1 and ending on June  
3 30, be determined on the preceding June 1  
4 and be equal to—

5 “(I) the bond equivalent rate of  
6 91-day Treasury bills auctioned at the  
7 final auction held prior to such June  
8 1; plus

9 “(II) a percentage determined  
10 under subparagraph (D),  
11 except that such rate shall not exceed 6.8  
12 percent; and

13 “(ii) Federal Direct Unsubsidized  
14 Stafford Loans for which the first dis-  
15 bursement is made on or after July 1,  
16 2013, the applicable rate of interest shall,  
17 during any 12-month period beginning on  
18 July 1 and ending on June 30, be deter-  
19 mined on the preceding June 1 and be  
20 equal to—

21 “(I) the bond equivalent rate of  
22 91-day Treasury bills auctioned at the  
23 final auction held prior to such June  
24 1; plus

1                   “(II) a percentage determined  
2                   under subparagraph (D),  
3                   except that such rate shall not exceed 8.25  
4                   percent.

5                   “(B) RATES FOR PLUS LOANS.—Notwith-  
6                   standing the preceding paragraphs of this sub-  
7                   section, for Federal Direct PLUS Loans for  
8                   which the first disbursement is made on or  
9                   after July 1, 2013, the applicable rate of inter-  
10                  est shall, during any 12-month period beginning  
11                  on July 1 and ending on June 30, be deter-  
12                  mined on the preceding June 1 and be equal  
13                  to—

14                   “(i) the bond equivalent rate of 91-  
15                   day Treasury bills auctioned at the final  
16                   auction held prior to such June 1; plus

17                   “(ii) a percentage determined under  
18                   subparagraph (D),

19                   except that such rate shall not exceed 8.25 per-  
20                   cent.

21                   “(C) CONSOLIDATION LOANS.—Notwith-  
22                   standing the preceding paragraphs of this sub-  
23                   section, for Federal Direct Consolidation Loans  
24                   for which the first disbursement is made on or  
25                   after July 1, 2013, the applicable rate of inter-

1 est shall, during any 12-month period beginning  
2 on July 1 and ending on June 30, be deter-  
3 mined on the preceding June 1 and be equal  
4 to—

5 “(i) the bond equivalent rate of 91-  
6 day Treasury bills auctioned at the final  
7 auction held prior to such June 1; plus

8 “(ii) a percentage determined under  
9 subparagraph (D),

10 except that such rate shall not exceed 8.25 per-  
11 cent.

12 “(D) PERCENTAGE DETERMINATION.—Ex-  
13 cept as provided in the flush text under clauses  
14 (i) and (ii) of subparagraph (A), subparagraph  
15 (B), and subparagraph (C), during each 12-  
16 month period beginning on July 1 and ending  
17 on June 30, beginning on July 1, 2013, the  
18 Secretary shall determine a percentage for ap-  
19 plication under clauses (i)(II) and (ii)(II) of  
20 subparagraph (A), subparagraph (B)(ii), and  
21 subparagraph (C)(ii). In carrying out this sub-  
22 paragraph, the Secretary may determine dif-  
23 ferent percentages for application under each  
24 such clause or subparagraph, as long as such  
25 percentages in the aggregate—



1 “(i) represent the total cost of admin-  
2 istering the Federal Direct Loan program  
3 and borrower benefits; and

4 “(ii) result in such program being rev-  
5 enue neutral for such 12-month period.”;  
6 and

7 (3) in subsection (c), by adding at the end the  
8 following:

9 “(3) REDUCTION OF FEE FOR FEDERAL DIRECT  
10 PLUS LOANS.—Notwithstanding paragraph (1), for  
11 any Federal Direct PLUS Loan for which the first  
12 disbursement is made on or after July 1, 2013, the  
13 Secretary shall charge the borrower of the Loan an  
14 origination fee of not more than 3 percent of the  
15 principal amount of the loan.”.

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

19 **“SEC. 460A. REFINANCING.**

20 “(a) REFINANCING FOR PLUS LOANS.—

21 “(1) REISSUING FEDERAL DIRECT PLUS  
22 LOANS.—The Secretary may reissue a Federal Di-  
23 rect PLUS Loan for which the first disbursement  
24 was made before July 1, 2013, that is not in default

1 in order to permit the borrower to obtain the inter-  
2 est rate provided under section 455(b)(8)(B).

3 “(2) PURCHASING FEDERAL PLUS LOANS.—The  
4 Secretary may purchase a Federal PLUS Loan that  
5 is not in default and reissue such loan in order to  
6 permit the borrower to obtain the interest rate pro-  
7 vided under section 455(b)(8)(B).

8 “(3) ADMINISTRATIVE FEE.—The Secretary  
9 may charge a borrower an amount not to exceed 0.5  
10 percent of the principal amount of the loan to be re-  
11 issued or purchased to cover the administrative cost  
12 of reissuing or purchasing such loan, which amount  
13 shall be paid to the Secretary.

14 “(b) REFINANCING FOR STAFFORD LOANS.—

15 “(1) REISSUING FEDERAL DIRECT STAFFORD  
16 LOANS.—The Secretary may reissue a Federal Di-  
17 rect Stafford Loan or a Federal Direct Unsubsidized  
18 Stafford Loan for which the first disbursement was  
19 made before July 1, 2013, that is not in default in  
20 order to permit the borrower to obtain the interest  
21 rate provided under section 455(b)(8)(A).

22 “(2) PURCHASING FEDERAL STAFFORD  
23 LOANS.—The Secretary may purchase a Federal  
24 Stafford Loan or a Federal Unsubsidized Stafford  
25 Loan that is not in default and reissue such loan in

1 order to permit the borrower to obtain the interest  
2 rate provided under section 455(b)(8)(A).

3 “(3) ADMINISTRATIVE FEE.—The Secretary  
4 may charge a borrower an amount not to exceed 0.5  
5 percent of the principal amount of the loan to be re-  
6 issued or purchased to cover the administrative cost  
7 of reissuing or purchasing such loan, which amount  
8 shall be paid to the Secretary.”.

○