

115TH CONGRESS
1ST SESSION

H. R. 2725

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

IN THE HOUSE OF REPRESENTATIVES

MAY 25, 2017

Mr. ROKITA (for himself and Mr. HASTINGS) introduced the following bill;
which was referred to the Committee on Education and the Workforce

A BILL

To amend the Higher Education Act of 1965 to provide
for the refinancing of certain 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 “Student Loan Lower
5 Interest Rate and Lower Monthly Payment Refinancing
6 Act of 2017”.

7 **SEC. 2. REFINANCING PROGRAM.**

8 (a) PROGRAM AUTHORITY.—Part C of title I of the
9 Higher Education Act of 1965 is amended by adding at
10 the end the following:

1 **“SEC. 138A. REFINANCING CERTAIN FEDERAL STUDENT**
2 **LOANS.**

3 “(a) IN GENERAL.—To enable State, private and
4 nonprofit lenders to make loans at lower market-based
5 variable interest rates to all eligible borrowers for the pur-
6 pose of refinancing existing student loan debt incurred
7 pursuant to parts B, D, and E, of title IV, there are here-
8 by made available, in accordance with the provisions of
9 this title and title IV, such sums as may be necessary to
10 insure a portion of each loan, as set forth in this part,
11 and to otherwise make payments consistent with the terms
12 in this part.

13 “(b) DISCRIMINATION BY CREDITORS PROHIB-
14 ITED.—No agency, organization, institution, bank, credit
15 union, corporation, or other lender who regularly extends,
16 renews, or continues credit or provides insurance under
17 this part shall exclude from receipt or deny the benefits
18 of, or discriminate against any borrower or applicant in
19 obtaining, such credit or insurance on the basis of race,
20 national origin, religion, sex, marital status, age, or handi-
21 capped status.

22 “(c) DESIGNATION.—

23 “(1) IN GENERAL.—The program established
24 under this part shall be referred to as the ‘Student
25 Loan Lower Interest Rate and Lower Monthly Pay-
26 ment Refinancing Program’.

1 “(2) REFINANCING LOANS.—Notwithstanding
 2 any other provision of this part, loans made to bor-
 3 rowers under this part that, except as otherwise
 4 specified in this part, have the same terms, condi-
 5 tions, and benefits as loans made to borrowers under
 6 section 428C, shall be known as ‘Refinancing
 7 Loans’.

8 **“SEC. 138B. REFINANCING CERTAIN FEDERAL STUDENT**
 9 **LOANS.**

10 “(a) IN GENERAL.—Beginning not later than 180
 11 days after the date of enactment of the Student Loan
 12 Lower Interest Rate and Lower Monthly Payment Refi-
 13 nancing Act, the Secretary shall establish a process under
 14 which eligible lenders may receive loan insurance from the
 15 Secretary for the purpose of extending, upon the receipt
 16 of an application from an eligible borrower, a loan to refi-
 17 nance one or more eligible loans, in accordance with the
 18 provisions of this section.

19 “(b) DEFINITIONS.—

20 “(1) DEFINITION OF ELIGIBLE BORROWER.—

21 For the purpose of this section, the term ‘eligible
 22 borrower’ means a borrower who—

23 “(A) has one or more eligible loans;

24 “(B) is not subject to a judgment secured
 25 through litigation with respect to a loan under

1 this title or to an order for wage garnishment
2 under section 488A; and

3 “(C) at the time of application for a Refi-
4 nancing Loan—

5 “(i) is in repayment status as deter-
6 mined under section 428(b)(7)(A);

7 “(ii) is in a grace period preceding re-
8 payment; or

9 “(iii) is a defaulted borrower who has
10 made arrangements to repay the obligation
11 on the defaulted loans satisfactory to the
12 holders of the defaulted loans.

13 “(2) TERMINATION.—An individual’s status as
14 an eligible borrower under this section terminates
15 upon receipt of a Refinancing Loan under this sec-
16 tion, except that—

17 “(A) an individual who receives eligible
18 loans after the date of receipt of the Refi-
19 nancing loan may receive a subsequent Refi-
20 nancing Loan;

21 “(B) eligible loans received prior to the
22 date of a Refinancing Loan may be added dur-
23 ing the 180-day period following the making of
24 the Refinancing Loan;

1 “(C) eligible loans received following the
2 making of the Refinancing Loan may be added
3 during the 180-day period following the making
4 of the Refinancing Loan; and

5 “(D) eligible loans received prior to the
6 date of the first Refinancing Loan may be
7 added to a subsequent Refinancing Loan.

8 “(3) ELIGIBLE LENDERS.—Entities eligible to
9 make Refinancing Loans, and receive default insur-
10 ance from the Secretary, shall be either—

11 “(A) State agencies described in subpara-
12 graphs (D) and (F) of section 435(d)(1);

13 “(B) other eligible lenders described in
14 subparagraphs (A) and (J) of such section,
15 which made or held loans prior to July 1, 2010;
16 and

17 “(C) any other entity that prior to July 1,
18 2010, made or held a loan as a beneficiary of
19 an eligible lender trustee agreement under part
20 B of title IV.

21 “(4) ELIGIBLE LOANS.—For the purposes of
22 this section, ‘eligible loans’ shall include any loan
23 made, insured or guaranteed under parts B, D, and
24 E of title IV.

1 “(c) REFINANCING ELIGIBLE LOANS.—Upon appli-
2 cation of an eligible borrower, an eligible lender shall repay
3 directly to the existing holder of each of that eligible bor-
4 rower’s eligible loans with the proceeds of a Refinancing
5 Loan in an amount equal to the sum of the unpaid prin-
6 cipal, accrued unpaid interest, and late charges of the
7 original eligible loans in order to discharge the eligible bor-
8 rower from any remaining obligation to the existing holder
9 with respect to the original eligible loans.

10 “(d) INTEREST RATES.—

11 “(1) IN GENERAL.—Notwithstanding the cur-
12 rent interest rates of the eligible loans being reffi-
13 nanced, the interest rate for the Refinancing Loan,
14 shall be a variable rate equal to no more than—

15 “(A) for the calendar quarter beginning on
16 July 1, 2015, and each subsequent calendar
17 quarter, the daily average of 1-month London
18 Inter Bank Offered Rate (LIBOR) for United
19 States dollars in effect for each of the days in
20 the prior calendar quarter as compiled and re-
21 leased by the British Bankers Association, plus

22 “(B) 3.5 percent per annum.

23 “(2) ADJUSTABLE RATE.—The applicable rate
24 of interest determined under paragraph (1) for a
25 Refinancing Loan under this section shall adjust on

1 the first day of each calendar quarter for the period
2 of the loan.

3 “(e) INSURANCE.—

4 “(1) DEFAULT INSURANCE.—The Secretary
5 shall provide default insurance on Refinancing
6 Loans and shall upon presentment with a defaulted
7 Refinancing Loan shall pay an amount, as set for
8 below, to the eligible lender in exchange for all
9 rights, title and interest to the Refinancing Loan.

10 “(2) DEFAULT.—

11 “(A) a Refinancing Loan is in default and
12 eligible for an insurance payment, if the Refi-
13 nancing Loan has, experienced at least 270
14 consecutive days of nonpayment; and

15 “(B) such state of nonpayment is not
16 caused by application of a deferment or forbear-
17 ance as described in section 435.

18 “(3) PHASE-OUT OF DEFAULT INSURANCE COV-
19 ERAGE.—To the extent an eligible lender provides
20 the Secretary with a defaulted eligible loan, the Sec-
21 retary shall pay to the eligible lender an amount
22 equal to—

23 “(A) for a default occurring in the first 5
24 years from the date of disbursement of the Re-
25 financing Loan made, the Secretary shall insure

1 97 percent of the unpaid principal and accrued
2 interest and fees;

3 “(B) for a default occurring in the second
4 5 years (years 6 through 10) from the date of
5 disbursement of the Refinancing Loan, the Sec-
6 retary shall insure 87 percent of the unpaid
7 principal and accrued interest and fees; and

8 “(C) for a default occurring at any point
9 after the tenth year after disbursement of the
10 Refinancing Loan, the Secretary shall insure 77
11 percent of the unpaid principal and accrued in-
12 terest.

13 “(f) INSURANCE FEES PAID TO THE SECRETARY.—
14 In lieu of any other fees or charges by the Secretary asso-
15 ciated with loans under this part, eligible lenders shall pay
16 to the Secretary—

17 “(1) a Default Insurance Fee equal to 0.50 per-
18 cent of the disbursed loan amount; and

19 “(2) a Monthly Insurance Fee payable each
20 month calculated on annual basis equal to 1.05 per-
21 cent of the average principal plus accrued unpaid in-
22 terest for the prior month of the Refinancing Loans
23 disbursed under this section.

1 “(g) NO SPECIAL ALLOWANCE.—No special allow-
2 ance under section 438 shall be paid with respect to the
3 portion of any Refinancing Loan.

4 “(h) TERMS AND CONDITIONS OF REFINANCING
5 LOANS.—

6 “(1) IN GENERAL.—A Refinancing Loan made
7 under this section shall have the same terms and
8 conditions as the loans authorized under section
9 455, except as otherwise provided in this section.

10 “(2) NO AUTOMATIC EXTENSION OF REPAY-
11 MENT PERIOD.—Refinancing a loan under this sec-
12 tion may, at the behest of the eligible borrower, re-
13 sult in the extension of the duration of the repay-
14 ment period of the loan. In addition, a borrower
15 may, at the time of making the Refinancing Loan,
16 enroll in any repayment plan for which the eligible
17 borrower is eligible in accordance with section
18 455(d)(3).

19 “(3) BORROWER BENEFITS.—Eligible lenders
20 may offer any borrower benefits, including interest
21 rate and principal reductions as desirable in connec-
22 tion with Refinancing Loans. In addition to such
23 benefits, and any other benefits required of Consoli-
24 dation loans authorized under section 455—

1 “(A) Refinancing Loans may, to the extent
2 offered under the Direct Loan Program, also
3 offer—

4 “(i) an income contingent repayment
5 plan;

6 “(ii) an income-based repayment plan;

7 “(iii) a Pay As You Earn (PAYE) Re-
8 payment Plan; and

9 “(iv) the public service loan forgive-
10 ness program under section 455(m); and

11 “(B) Refinancing Loans shall, to the ex-
12 tent offered under the Direct Loan Program,
13 also offer—

14 “(i) the benefit for active duty service
15 members benefit offered under section
16 455(o);

17 “(ii) deferment as provided for in sec-
18 tion 435;

19 “(iii) forbearance as provided for in
20 section 435; and

21 “(iv) discharge for disability or death
22 of the borrower.

23 “(i) LOAN DISCHARGE.—In the case of loans dis-
24 charged under income contingent repayment, income-
25 based repayment, or public service loan forgiveness, or for

1 disability or death of the borrower, the Secretary shall,
2 upon such discharge, pay to the eligible lender an amount
3 equal to the unpaid principal and accrued interest.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) PART B.—Section 428C(a)(3)(B)(i) of the
6 Higher Education Act of 1965 (20 U.S.C. 1078–
7 3(a)(3)(B)(i)) is amended—

8 (A) in the matter preceding subclause
9 (I)—

10 (i) by inserting “, section 138A,”
11 after “An individual’s status as an eligible
12 borrower under this section”;

13 (ii) by striking “both sections” and
14 inserting “each such section”; and

15 (iii) by inserting “, a Refinancing
16 Loan under section 138A,” after “upon re-
17 ceipt of a consolidation loan under this sec-
18 tion”;

19 (B) in subclause (III), by striking the
20 semicolon and inserting “; and”;

21 (C) in subclause (IV), by striking “; and”
22 and inserting a period; and

23 (D) by striking subclause (V).

24 (2) PART D.—Section 455 of the Higher Edu-
25 cation Act of 1965 (20 U.S.C. 1087e) is amended—

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

3 “(4)(A) CONSOLIDATION OF REFINANCING
4 LOANS.—Notwithstanding any provisions of this
5 part, eligible borrowers may consolidate Refinancing
6 Loans authorized under section 138A into a Direct
7 Consolidation Loan in the event that the interest
8 rate on each such Refinancing Loan exceeds 6.875
9 percent for the quarter.

10 “(B) ELIGIBILITY PERIOD.—Any application
11 for a Consolidation Loan that includes Refinancing
12 Loans under this paragraph must be received by the
13 Secretary by the end of a quarter during which the
14 Refinancing Loan interest exceeds 6.875 percent.”;
15 and

16 (B) by adding at the end the following new
17 subsection:

18 “(r) REPAYMENT TERMS FOR FEDERAL FAMILY
19 EDUCATION LOANS.—

20 “(1) APPLICABILITY OF PROGRAMS AVAILABLE
21 UNDER THIS SECTION.—The Secretary shall apply
22 subsections (d), (e), (f), (l), (m), and (o) to all loans
23 made under part B as if such loans were made
24 under this part.

1 “(2) PAYMENT OF BALANCE AND INTEREST.—

2 In carrying out paragraph (1), the Secretary shall
 3 pay to the holder of a loan made under part B the
 4 amount of principal, interest, or special allowance
 5 payments necessary to apply subsections (d), (e), (f),
 6 (l), (m), and (o) to such loan, as appropriate.”.

7 **SEC. 3. OFFSET.**

8 (a) PUBLIC SERVICE LOAN FORGIVENESS.—Section
 9 455(m) of the Higher Education Act of 1965 (20 U.S.C.
 10 1087e(m)) is amended—

11 (1) in paragraph (1), by striking “The Sec-
 12 retary” and inserting “Except as provided in para-
 13 graph (2)(B), the Secretary”; and

14 (2) in paragraph (2)—

15 (A) by striking “After the” and inserting
 16 the following:

17 “(A) IN GENERAL.—Except as provided in
 18 subparagraph (B), after the”; and

19 (B) by adding after subparagraph (A) the
 20 following:

21 “(B) CAP ON LOAN CANCELLATION.—With
 22 respect to any eligible Federal Direct Loans
 23 made to a new borrower on or after July 1,
 24 2017, the Secretary may cancel, in accordance

1 with subparagraph (A), up to \$57,500 of the
2 obligation on such loans.”.

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

6 “(f) SPECIAL TERMS FOR NEW BORROWERS ON AND
7 AFTER JULY 1, 2017.—Subsection (e)(2) shall not apply
8 with respect to any loan made to a new borrower on or
9 after July 1, 2017, for enrollment in a graduate or profes-
10 sional program.”.

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