

115TH CONGRESS  
1ST SESSION

# S. 1521

To amend the Higher Education Act of 1965 to reduce the interest rate caps for Federal Direct student loans, to eliminate loan origination fees on all Federal Direct student loans, and to provide for refinancing of Federal Direct student loans and Federal family education loans.

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IN THE SENATE OF THE UNITED STATES

JULY 10, 2017

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

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## A BILL

To amend the Higher Education Act of 1965 to reduce the interest rate caps for Federal Direct student loans, to eliminate loan origination fees on all Federal Direct student loans, and to provide for refinancing of Federal Direct student loans and Federal family education 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 Relief  
5 Act of 2017”.

1 **SEC. 2. REDUCTION OF INTEREST RATES FOR FEDERAL DI-**  
2 **RECT STUDENT LOANS.**

3 Section 455(b) of the Higher Education Act of 1965  
4 (20 U.S.C. 1087e(b)) is amended by adding at the end  
5 the following:

6 “(11) INTEREST RATE PROVISIONS FOR NEW  
7 LOANS ON OR AFTER JULY 1, 2018.—

8 “(A) RATES FOR UNDERGRADUATE FDSL  
9 AND FDUSL.—Notwithstanding the preceding  
10 paragraphs of this subsection, for Federal Di-  
11 rect Stafford Loans and Federal Direct Unsub-  
12 sidized Stafford Loans issued to undergraduate  
13 students, for which the first disbursement is  
14 made on or after July 1, 2018, the applicable  
15 rate of interest shall, for loans disbursed during  
16 any 12-month period beginning on July 1 and  
17 ending on June 30, be determined on the pre-  
18 ceding June 1 and be equal to the lesser of—

19 “(i) a rate equal to the high yield of  
20 the 10-year Treasury note auctioned at the  
21 final auction held prior to such June 1  
22 plus the Federal Reserve discount rate  
23 charged for primary credit on the date of  
24 such auction, as authorized under section  
25 14(d) of the Federal Reserve Act (12  
26 U.S.C. 357); or

1 “(ii) 4 percent.

2 “(B) RATES FOR GRADUATE AND PROFES-  
3 SIONAL FDUSL.—Notwithstanding the pre-  
4 ceding paragraphs of this subsection, for Fed-  
5 eral Direct Unsubsidized Stafford Loans issued  
6 to graduate or professional students, for which  
7 the first disbursement is made on or after July  
8 1, 2018, the applicable rate of interest shall, for  
9 loans disbursed during any 12-month period be-  
10 ginning on July 1 and ending on June 30, be  
11 determined on the preceding June 1 and be  
12 equal to the lesser of—

13 “(i) a rate equal to the high yield of  
14 the 10-year Treasury note auctioned at the  
15 final auction held prior to such June 1  
16 plus the Federal Reserve discount rate  
17 charged for primary credit on the date of  
18 such auction, as authorized under section  
19 14(d) of the Federal Reserve Act (12  
20 U.S.C. 357); or

21 “(ii) 5 percent.

22 “(C) PLUS LOANS.—Notwithstanding the  
23 preceding paragraphs of this subsection, for  
24 Federal Direct PLUS Loans, for which the first  
25 disbursement is made on or after July 1, 2018,

1 the applicable rate of interest shall, for loans  
2 disbursed during any 12-month period begin-  
3 ning on July 1 and ending on June 30, be de-  
4 termined on the preceding June 1 and be equal  
5 to the lesser of—

6 “(i) a rate equal to the high yield of  
7 the 10-year Treasury note auctioned at the  
8 final auction held prior to such June 1  
9 plus the Federal Reserve discount rate  
10 charged for primary credit on the date of  
11 such auction, as authorized under section  
12 14(d) of the Federal Reserve Act (12  
13 U.S.C. 357); or

14 “(ii) 6 percent.

15 “(D) CONSOLIDATION LOANS.—Notwith-  
16 standing the preceding paragraphs of this sub-  
17 section, any Federal Direct Consolidation Loan  
18 for which the application is received on or after  
19 July 1, 2018, shall bear interest at an annual  
20 rate on the unpaid principal balance of the loan  
21 that is equal to the weighted average of the in-  
22 terest rates on the loans consolidated, rounded  
23 to the nearest higher one-eighth of one percent.

24 “(E) CONSULTATION.—The Secretary shall  
25 determine the applicable rate of interest under

1           this paragraph after consultation with the Sec-  
 2           retary of the Treasury and the Chairman of the  
 3           Board of Governors of the Federal Reserve Sys-  
 4           tem and shall publish such rate in the Federal  
 5           Register as soon as practicable after the date of  
 6           determination.

7                   “(F) RATE.—The applicable rate of inter-  
 8           est determined under this paragraph for a Fed-  
 9           eral Direct Stafford Loan, a Federal Direct Un-  
 10          subsidized Stafford Loan, or a Federal Direct  
 11          PLUS Loan shall be fixed for the period of the  
 12          loan.”.

13 **SEC. 3. ELIMINATION OF THE LOAN ORIGINATION FEES ON**  
 14 **FEDERAL DIRECT STUDENT LOANS.**

15          Section 455(c) of the Higher Education Act of 1965  
 16 (20 U.S.C. 1087e(c)) is amended by adding at the end  
 17 the following:

18                   “(3) SUNSET.—The Secretary may not charge  
 19          the borrower of a loan under this part for which the  
 20          first disbursement is made on or after July 1, 2018,  
 21          an origination fee.”.

22 **SEC. 4. REFINANCING FFEL AND FEDERAL DIRECT LOANS.**

23          Part D of title IV of the Higher Education Act of  
 24 1965 (20 U.S.C. 1087a et seq.) is amended by adding at  
 25 the end the following:

1 **“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT**  
2 **LOANS.**

3 “(a) IN GENERAL.—Beginning not later than 180  
4 days after the date of enactment of the Student Loan Re-  
5 lief Act of 2017, the Secretary shall establish a program  
6 under which the Secretary, upon the receipt of an applica-  
7 tion from a qualified borrower, makes a loan under this  
8 part, in accordance with the provisions of this section, in  
9 order to permit the borrower to obtain the interest rate  
10 provided under subsection (c).

11 “(b) REFINANCING DIRECT LOANS.—

12 “(1) FEDERAL DIRECT LOANS.—Upon applica-  
13 tion of a qualified borrower, the Secretary shall  
14 repay any Federal Direct Stafford Loan, Federal Di-  
15 rect Unsubsidized Stafford Loan, Federal Direct  
16 PLUS Loan, or Federal Direct Consolidation Loan  
17 of the qualified borrower, for which the first dis-  
18bursement was made, or the application for the  
19 original consolidation loan was received, before July  
20 1, 2018, with the proceeds of a new Federal Direct  
21 Stafford Loan, Federal Direct Unsubsidized Staf-  
22 ford Loan, Federal Direct PLUS Loan, or Federal  
23 Direct Consolidation Loan, respectively, issued to  
24 the borrower in an amount equal to the sum of the  
25 unpaid principal, accrued unpaid interest, and late  
26 charges of the original loan.

1           “(2) REFINANCING FFEL PROGRAM LOANS AS  
2           REFINANCED FEDERAL DIRECT LOANS.—Upon ap-  
3           plication of a qualified borrower for any loan that  
4           was made, insured, or guaranteed under part B and  
5           for which the first disbursement was made, or the  
6           application for the consolidation loan was received,  
7           before July 1, 2010, the Secretary shall make a loan  
8           under this part, in an amount equal to the sum of  
9           the unpaid principal, accrued unpaid interest, and  
10          late charges of the original loan to the borrower in  
11          accordance with the following:

12                   “(A) The Secretary shall pay the proceeds  
13                   of such loan to the eligible lender of the loan  
14                   made, insured, or guaranteed under part B, in  
15                   order to discharge the borrower from any re-  
16                   maining obligation to the lender with respect to  
17                   the original loan.

18                   “(B) A loan made under this paragraph  
19                   that covers—

20                           “(i) a loan originally made, insured,  
21                           or guaranteed under section 428 shall be a  
22                           Federal Direct Stafford Loan;

23                           “(ii) a loan originally made, insured,  
24                           or guaranteed under section 428B shall be  
25                           a Federal Direct PLUS Loan;

1           “(iii) a loan originally made, insured,  
2           or guaranteed under section 428H shall be  
3           a Federal Direct Unsubsidized Stafford  
4           Loan; and

5           “(iv) a loan originally made, insured,  
6           or guaranteed under section 428C shall be  
7           a Federal Direct Consolidation Loan.

8           “(C) The interest rate for each loan made  
9           by the Secretary under this paragraph shall be  
10          the applicable rate provided under subsection  
11          (c).

12         “(c) INTEREST RATES.—

13                 “(1) IN GENERAL.—The interest rate for the  
14                 new Federal Direct Stafford Loans, Federal Direct  
15                 Unsubsidized Stafford Loans, Federal Direct PLUS  
16                 Loans, and Federal Direct Consolidation Loans,  
17                 shall be a rate equal to—

18                         “(A) in any case where the original loan  
19                         was a loan under section 428 or 428H, a Fed-  
20                         eral Direct Stafford loan, or a Federal Direct  
21                         Unsubsidized Stafford Loan, that was issued to  
22                         an undergraduate student, a rate equal to the  
23                         rate determined under section 455(b)(11)(A);

24                         “(B) in any case where the original loan  
25                         was a loan under section 428 or 428H, a Fed-



1 eral Direct Stafford Loan, or a Federal Direct  
2 Unsubsidized Stafford Loan, that was issued to  
3 a graduate or professional student, a rate equal  
4 to the rate determined under section  
5 455(b)(11)(B);

6 “(C) in any case where the original loan  
7 was a loan under section 428B or a Federal Di-  
8 rect PLUS Loan, a rate equal to the rate deter-  
9 mined under section 455(b)(11)(C); and

10 “(D) in any case where the original loan  
11 was a loan under section 428C or a Federal Di-  
12 rect Consolidation Loan, a rate calculated in ac-  
13 cordance with paragraph (2).

14 “(2) INTEREST RATE FOR CONSOLIDATION  
15 LOANS.—

16 “(A) METHOD OF CALCULATION.—In  
17 order to determine the interest rate for any new  
18 Federal Direct Consolidation Loan under para-  
19 graph (1)(D), the Secretary shall—

20 “(i) determine each of the component  
21 loans that were originally consolidated in  
22 the loan under section 428C or the Federal  
23 Direct Consolidation Loan, and calculate  
24 the proportion of the unpaid principal bal-  
25 ance of the loan under section 428C or the

1 Federal Direct Consolidation Loan that  
2 each component loan represents;

3 “(ii) use the proportions determined  
4 in accordance with clause (i) and the inter-  
5 est rate applicable for each component  
6 loan, as determined under subparagraph  
7 (B), to calculate the weighted average of  
8 the interest rates on the loans consolidated  
9 into the loan under section 428C or the  
10 Federal Direct Consolidation Loan; and

11 “(iii) apply the weighted average cal-  
12 culated under clause (ii) as the interest  
13 rate for the new Federal Direct Consolida-  
14 tion Loan.

15 “(B) INTEREST RATES FOR COMPONENT  
16 LOANS.—The interest rates for the component  
17 loans of a loan made under section 428C or a  
18 Federal Direct Consolidation Loan shall be the  
19 following:

20 “(i) The interest rate for any loan  
21 under section 428 or 428H, Federal Direct  
22 Stafford Loan, or Federal Direct Unsub-  
23 sidized Stafford Loan issued to an under-  
24 graduate student shall be a rate equal to  
25 the rate for Federal Direct Stafford Loans

1 and Federal Direct Unsubsidized Stafford  
2 Loans issued to undergraduate students  
3 that is applicable on the date of the appli-  
4 cation for the new Federal Direct Consoli-  
5 dation Loan.

6 “(ii) The interest rate for any loan  
7 under section 428 or 428H, Federal Direct  
8 Stafford Loan, or Federal Direct Unsub-  
9 sidized Stafford Loan issued to a graduate  
10 or professional student shall be a rate  
11 equal to the rate for Federal Direct Un-  
12 subsidized Stafford Loans issued to grad-  
13 uate or professional students that is appli-  
14 cable on the date of the application for the  
15 new Federal Direct Consolidation Loan.

16 “(iii) The interest rate for any loan  
17 under section 428B or Federal Direct  
18 PLUS Loan shall be a rate equal to the  
19 rate for Federal Direct PLUS Loans that  
20 is applicable on the date of the application  
21 for the new Federal Direct Consolidation  
22 Loan.

23 “(iv) The interest rate for any compo-  
24 nent loan that is a loan under section  
25 428C or a Federal Direct Consolidation

1           Loan shall be the weighted average of the  
2           interest rates that would apply under this  
3           subparagraph for each loan comprising the  
4           component consolidation loan.

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

11          “(d) TERMS AND CONDITIONS OF LOANS.—

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

16           “(2) NO AUTOMATIC EXTENSION OF REPAY-  
17          MENT PERIOD.—Refinancing a loan under this sec-  
18          tion shall not require the extension of the duration  
19          of the repayment period of the loan, and the bor-  
20          rower shall retain the right to use the same repay-  
21          ment term that was in effect on the original loan.  
22          Nothing in this paragraph shall be construed to pre-  
23          vent a borrower from electing a different repayment  
24          plan at any time in accordance with section  
25          455(d)(3).

1 “(e) DEFINITION OF QUALIFIED BORROWER.—

2 “(1) IN GENERAL.—For purposes of this sec-  
3 tion, the term ‘qualified borrower’ means a bor-  
4 rower—

5 “(A) of a loan under this part or part B  
6 for which the first disbursement was made, or  
7 the application for a consolidation loan was re-  
8 ceived, before July 1, 2018; and

9 “(B) who meets the eligibility requirements  
10 established under paragraph (2).

11 “(2) INCOME REQUIREMENTS.—Not later than  
12 180 days after the date of enactment of the Student  
13 Loan Relief Act of 2017, the Secretary shall estab-  
14 lish eligibility requirements based on income or debt-  
15 to-income ratio that take into consideration pro-  
16 viding access to refinancing under this section for  
17 borrowers with the greatest financial need.

18 “(f) NOTIFICATION TO BORROWERS.—The Secretary,  
19 in coordination with the Director of the Bureau of Con-  
20 sumer Financial Protection, shall undertake a campaign  
21 to alert borrowers of loans that are eligible for refinancing  
22 under this section that the borrowers are eligible to apply  
23 for such refinancing. The campaign shall include the fol-  
24 lowing activities:

1           “(1) Developing consumer information mate-  
2           rials about the availability of Federal student loan  
3           refinancing.

4           “(2) Requiring servicers of loans under this  
5           part or part B to provide such consumer information  
6           to borrowers in a manner determined appropriate by  
7           the Secretary, in consultation with the Director of  
8           the Bureau of Consumer Financial Protection.”.

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