

118TH CONGRESS
1ST SESSION

H. R. 5710

To provide for the refinancing and recalculation of certain Federal student loans, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 26, 2023

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

A BILL

To provide for the refinancing and recalculation of certain Federal student loans, 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 “Student Loan Refi-
5 nancing and Recalculation Act”.

6 **SEC. 2. REFINANCING PROGRAMS.**

7 (a) PROGRAM AUTHORITY.—Section 451(a) of the
8 Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is
9 amended—

1 disbursement was made, or the application for the
2 reissuance of a loan under this section was received
3 before July 1, 2024, in an amount equal to the sum
4 of—

5 “(A) the unpaid principal, accrued unpaid
6 interest, and late charges of the original loan;
7 and

8 “(B) the administrative fee under sub-
9 section (d)(3).

10 “(2) DISCHARGING AND REISSUING FFEL PRO-
11 GRAM LOANS AS REFINANCED FEDERAL DIRECT
12 LOANS.—Upon application of a qualified borrower
13 for any loan that was made, insured, or guaranteed
14 under part B and for which the first disbursement
15 was made before July 1, 2010, the Secretary shall
16 reissue such loan as a loan under this part, in an
17 amount equal to the sum of the unpaid principal, ac-
18 crued unpaid interest, and late charges of the origi-
19 nal loan and the administrative fee under subsection
20 (d)(3), to the borrower in accordance with the fol-
21 lowing:

22 “(A) The Secretary shall pay the proceeds
23 of such reissued loan to the eligible lender of
24 the loan made, insured, or guaranteed under
25 part B, in order to discharge the borrower from

1 any remaining obligation to the lender with re-
2 spect to the original loan.

3 “(B) The Secretary shall reissue—

4 “(i) a loan originally made, insured,
5 or guaranteed under section 428 as a Fed-
6 eral Direct Stafford Loan;

7 “(ii) a loan originally made, insured,
8 or guaranteed under section 428B as a
9 Federal Direct PLUS Loan;

10 “(iii) a loan originally made, insured,
11 or guaranteed under section 428H as a
12 Federal Direct Unsubsidized Stafford
13 Loan; and

14 “(iv) a loan originally made, insured,
15 or guaranteed under section 428C as a
16 Federal Direct Consolidation Loan.

17 “(C) The interest rate for each loan re-
18 issued under this paragraph shall be the rate
19 provided under subsection (c).

20 “(c) INTEREST RATE.—

21 “(1) IN GENERAL.—The interest rate for the
22 reissued Federal Direct Stafford Loans, Federal Di-
23 rect Unsubsidized Stafford Loans, Federal Direct
24 PLUS Loans, and Federal Direct Consolidation
25 Loans, shall be a rate equal to—

1 “(A) the high yield of the 10-year Treas-
2 ury note auctioned at the final auction held
3 prior to the first day of the month in which the
4 application for reissuance under this section is
5 received, plus

6 “(B) 1.0 percent.

7 “(2) FIXED RATE.—The applicable rate of in-
8 terest determined under paragraph (1) for a re-
9 issued loan under this section shall be fixed for the
10 period of the loan.

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

12 “(1) IN GENERAL.—A loan that is reissued
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.—Reissuing a loan under this section
18 shall not result in the extension of the duration of
19 the repayment period of the loan, and the borrower
20 shall retain the same repayment term that was in ef-
21 fect on the original loan. Nothing in this paragraph
22 shall be construed to prevent a borrower from elect-
23 ing a different repayment plan at any time in ac-
24 cordance with section 455(d)(3).

1 “(3) ADMINISTRATIVE FEE.—The Secretary
2 shall charge the borrower of a loan reissued under
3 this section an administrative fee of not more than
4 0.5 percent of the sum of the unpaid principal, ac-
5 crued unpaid interest, and late charges, of the origi-
6 nal loan.

7 “(e) DEFINITION OF QUALIFIED BORROWER.—

8 “(1) IN GENERAL.—The term ‘qualified bor-
9 rower’ means a borrower—

10 “(A) of a loan under this part or part B
11 for which the first disbursement was made, or
12 the application for reissuance under this section
13 was received, before July 1, 2024; and

14 “(B) who meets the eligibility requirements
15 based on income or debt-to-income ratio estab-
16 lished by the Secretary.

17 “(2) INCOME REQUIREMENTS.—Not later than
18 180 days after the date of enactment of the Student
19 Loan Refinancing and Recalculation Act, the Sec-
20 retary shall establish eligibility requirements based
21 on income or debt-to-income ratio that take into con-
22 sideration providing access to refinancing under this
23 section for borrowers with the greatest financial
24 need.

1 “(f) EXPIRATION OF AUTHORITY.—The Secretary’s
2 authority to reissue loans under this section shall expire
3 on the date that is determined in accordance with section
4 4(c) of the Student Loan Refinancing and Recalculation
5 Act.”.

6 (c) AMENDMENTS TO PUBLIC SERVICE REPAYMENT
7 PLAN PROVISIONS.—Section 455(m) of the Higher Edu-
8 cation Act of 1965 (20 U.S.C. 1087e(m)) is amended—
9 (1) by redesignating paragraphs (3) and (4) as
10 paragraphs (4) and (5), respectively;

11 (2) by inserting after paragraph (2) the fol-
12 lowing:

13 “(3) SPECIAL RULES FOR SECTION 460A
14 LOANS.—

15 “(A) REFINANCED FEDERAL DIRECT
16 LOANS.—Notwithstanding paragraph (1), in de-
17 termining the number of monthly payments
18 that meet the requirements of such paragraph
19 for an eligible Federal Direct Loan reissued
20 under section 460A that was originally a loan
21 under this part, the Secretary shall include all
22 monthly payments made on the original loan
23 that meet the requirements of such paragraph.

24 “(B) REFINANCED FFEL LOANS.—In the
25 case of an eligible Federal Direct Loan reissued

1 under section 460A that was originally a loan
2 under part B, only monthly payments made
3 after the date on which the loan was reissued
4 may be included for purposes of paragraph
5 (1).”; and

6 (3) in paragraph (4)(A) (as redesignated by
7 paragraph (1) of this subsection), by inserting “(in-
8 cluding any Federal Direct Stafford Loan, Federal
9 Direct PLUS Loan, Federal Direct Unsubsidized
10 Stafford Loan, or Federal Direct Consolidation
11 Loan reissued under section 460A)” before the pe-
12 riod at the end.

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

16 “(f) REFINANCED FEDERAL DIRECT AND FFEL
17 LOANS.—In calculating the period of time during which
18 a borrower of a loan that is reissued under section 460A
19 has made monthly payments for purposes of subsection
20 (b)(7), the Secretary shall deem the period to include all
21 monthly payments made for the original loan, and all
22 monthly payments made for the reissued loan, that other-
23 wise meet the requirements of this section.”.

1 **SEC. 3. INTEREST RATES.**

2 (a) INTEREST RATES.—Section 455(b) of the Higher
3 Education Act of 1965 (20 U.S.C. 1087e(b)) is amend-
4 ed—

5 (1) by redesignating paragraphs (9) and (10)
6 as paragraphs (10) and (11), respectively; and

7 (2) by inserting after paragraph (8) the fol-
8 lowing:

9 “(9) INTEREST RATE PROVISIONS FOR NEW
10 LOANS ON OR AFTER JULY 1, 2024.—

11 “(A) RATES FOR UNDERGRADUATE FDSL
12 AND FDUSL.—Notwithstanding the preceding
13 paragraphs of this subsection, for Federal Di-
14 rect Stafford Loans and Federal Direct Unsub-
15 sidized Stafford Loans issued to undergraduate
16 students, for which the first disbursement is
17 made on or after July 1, 2024, the applicable
18 rate of interest shall, for loans disbursed during
19 any 12-month period beginning on July 1 and
20 ending on June 30, be determined on the pre-
21 ceding June 1 and be equal to the lesser of—

22 “(i) a rate equal to—

23 “(I) the high yield of the 10-year
24 Treasury note auctioned at the final
25 auction held prior to such June 1,
26 plus

1 “(II) 1 percent; or

2 “(ii) 8.25 percent.

3 “(B) RATES FOR GRADUATE AND PROFES-
4 SIONAL FDUSL.—Notwithstanding the pre-
5 ceeding paragraphs of this subsection, for Fed-
6 eral Direct Unsubsidized Stafford Loans issued
7 to graduate or professional students, for which
8 the first disbursement is made on or after July
9 1, 2024, the applicable rate of interest shall, for
10 loans disbursed during any 12-month period be-
11 ginning on July 1 and ending on June 30, be
12 determined on the preceding June 1 and be
13 equal to the lesser of—

14 “(i) a rate equal to—

15 “(I) the high yield of the 10-year
16 Treasury note auctioned at the final
17 auction held prior to such June 1,
18 plus

19 “(II) 1 percent; or

20 “(ii) 9.5 percent.

21 “(C) PLUS LOANS.—Notwithstanding the
22 preceding paragraphs of this subsection, for
23 Federal Direct PLUS Loans, for which the first
24 disbursement is made on or after July 1, 2024,
25 the applicable rate of interest shall, for loans

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

5 “(i) a rate equal to—

6 “(I) the high yield of the 10-year
7 Treasury note auctioned at the final
8 auction held prior to such June 1,
9 plus

10 “(II) 1 percent; or

11 “(ii) 10.5 percent.

12 “(D) CONSOLIDATION LOANS.—Notwith-
13 standing the preceding paragraphs of this sub-
14 section, any Federal Direct Consolidation Loan
15 for which the application is received on or after
16 July 1, 2024, shall bear interest at an annual
17 rate on the unpaid principal balance of the loan
18 that is equal to the weighted average of the in-
19 terest rates on the loans consolidated, rounded
20 to the nearest higher one-eighth of one percent.

21 “(E) CONSULTATION.—The Secretary shall
22 determine the applicable rate of interest under
23 this paragraph after consultation with the Sec-
24 retary of the Treasury and shall publish such

1 rate in the Federal Register as soon as prac-
2 ticable after the date of determination.

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

9 (b) IN SCHOOL DEFERMENT.—Section 455(f) of the
10 Higher Education Act of 1965 (20 U.S.C. 1087e(f)) is
11 amended—

12 (1) in paragraph (1), in the matter preceding
13 subparagraph (A), by striking “A borrower” and in-
14 serting “Except as provided in paragraph (5), a bor-
15 rower”;

16 (2) in paragraph (2)(A)—

17 (A) by striking the matter following clause

18 (ii);

19 (B) in clause (ii), by striking the comma at
20 the end and inserting “; or”; and

21 (C) by adding at the end the following:

22 “(iii) is serving in a medical, veteri-
23 nary, or dental internship or residency pro-
24 gram;”; and

1 (3) by adding at the end the following new
2 paragraph:

3 “(6) SPECIAL RULE FOR IN SCHOOL
4 DEFERMENT.—Notwithstanding any other provision
5 of this Act, a borrower described in paragraph
6 (2)(A) shall be eligible for a deferment, during which
7 periodic installments of principal need not be paid,
8 and interest—

9 “(A) shall not accrue, in the case of a bor-
10 rower with an expected family contribution of
11 not more than \$10,000 (computed in accord-
12 ance with part F of this title); and

13 “(B) shall accrue at the rate equal to the
14 high yield of the 10-year Treasury note applica-
15 ble to such loan under subsection (b)(9), in the
16 case of a borrower of an unsubsidized loan with
17 an expected family contribution of more than
18 \$10,000 (computed in accordance with part F
19 of this title).”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 subsections (a) and (b) shall take effect on July 1, 2024.

1 **SEC. 4. ELIMINATION OF ORIGINATION FEES FOR FEDERAL**
2 **DIRECT LOANS.**

3 (a) SENSE OF CONGRESS.—It is the sense of Con-
4 gress that no origination fees should be charged on any
5 future Federal Direct Loans.

6 (b) REPEAL OF ORIGINATION FEES.—Subsection (c)
7 of section 455 of the Higher Education Act of 1965 (20
8 U.S.C. 1087e(c)) is repealed.

9 (c) EFFECTIVE DATE.—The amendment made by
10 subsection (b) shall apply with respect to loans made
11 under part D of title IV of the Higher Education Act of
12 1965 (20 U.S.C. 1087a et seq.) for which the first dis-
13 bursement of principal is made, or, in the case of a Fed-
14 eral Direct Consolidation Loan, the application is received,
15 on the first July 1 after the date of enactment of this
16 Act.

17 **SEC. 5. ELIMINATION OF INTEREST CAPITALIZATION.**

18 (a) FEDERAL PLUS LOANS.—Section 428B(d)(2) of
19 the Higher Education Act of 1965 (20 U.S.C. 1078-
20 2(d)(2)) is amended to read as follows:

21 “(2) NO CAPITALIZATION OF INTEREST.—Inter-
22 est on loans made under this section for which pay-
23 ments of principal are deferred pursuant to para-
24 graph (1) shall be paid monthly or quarterly, if
25 agreed upon by the borrower and the lender and
26 shall not be capitalized.”.

1 (b) FEDERAL CONSOLIDATION LOANS DEFER-
2 RALS.—Section 428C(b)(4)(C)(ii)(III) of the Higher Edu-
3 cation Act of 1965 (20 U.S.C. 1078–3(b)(4)(C)(III)) is
4 amended by striking “or capitalized,”.

5 (c) LOAN LIMITS FOR UNSUBSIDIZED STAFFORD
6 LOANS.—Section 428H(d)(5) of the Higher Education
7 Act of 1965 (20 U.S.C. 1078–8(d)(5)) is amended by in-
8 serting “before the date of enactment of the Student Loan
9 Refinancing and Recalculation Act” after “Interest cap-
10 italized”.

11 (d) UNSUBSIDIZED STAFFORD LOANS FOR MIDDLE
12 INCOME BORROWERS.—Section 428H(e)(2) of the Higher
13 Education Act of 1965 (20 U.S.C. 1078–8(e)(2)) is
14 amended—

15 (1) in the header, by striking “CAPITALIZA-
16 TION” and inserting “NO CAPITALIZATION”;

17 (2) in subparagraph (A), in the matter before
18 clause (i), by striking “, if agreed upon by the bor-
19 rower and the lender” and all that follows through
20 clause (ii)(IV) and inserting “be paid monthly or
21 quarterly, if agreed upon by the borrower and the
22 lender and shall not be capitalized.”;

23 (3) by striking subparagraph (B); and

24 (4) by redesignating subparagraph (C) as sub-
25 paragraph (B).

1 (e) INCOME CONTINGENT REPAYMENT.—Section
2 455(e)(5) of the Higher Education Act of 1965 (20 U.S.C.
3 1087e(e)(5)) is amended by striking the last sentence and
4 inserting “No interest may be capitalized on such loan on
5 or after the date of the enactment of the Student Loan
6 Refinancing and Recalculation Act, and the Secretary
7 shall promulgate regulations with respect to the treatment
8 of accrued interest that is not capitalized.”.

9 (f) EFFECT OF DEFERMENT ON PRINCIPAL AND IN-
10 TEREST.—Section 455(f)(1)(B) of the Higher Education
11 Act of 1965 (20 U.S.C. 1087e(f)(1)(B)) is amended by
12 striking “capitalized or”.

13 (g) INCOME-BASED REPAYMENT PROGRAM.—Section
14 493C(b)(3) of the Higher Education Act of 1965 (20
15 U.S.C. 1098e(b)(3)) is amended to read as follows:

16 “(3) on subsidized loans, any interest due and
17 not paid under paragraph (2) shall be paid by the
18 Secretary for a period of not more than 3 years
19 after the date of the borrower’s election under para-
20 graph (1), except that such period shall not include
21 any period during which the borrower is in
22 deferment due to an economic hardship described in
23 section 435(o);”.

24 (h) NOTES AND INSURANCE CERTIFICATES IN COM-
25 BINED PAYMENT PLANS.—Section 485A(f) of the Higher

1 Education Act of 1965 (20 U.S.C. 1092a(f)) is amended
2 by adding at the end the following new paragraph:

3 “(3) TREATMENT OF INTEREST.—Notwithstanding
4 paragraphs (1) and (2), beginning on the date of enact-
5 ment of the Student Loan Refinancing and Recalculation
6 Act, interest on a loan reissued under subsection (e) shall
7 not be capitalized, and interest shall only accrue on the
8 percentage of such reissued loan that is equal to—

9 “(A) the amount of the outstanding principal
10 on the original loan on the date it was reissued; di-
11 vided by

12 “(B) the total amount of such reissued loan on
13 the date such loan was reissued.”.

14 (i) DEFAULT REDUCTION PROGRAM.—Section
15 428F(a)(1)(E) of the Higher Education Act of 1965 (20
16 U.S.C. 1078–6(a)(1)(E)) is amended—

17 (1) in clause (i), by striking “and” at the end;

18 (2) in clause (ii), by striking the period at the
19 end and inserting a semicolon; and

20 (3) by adding to the end the following:

21 “(iii) for a loan assigned on or after
22 the date of enactment of the Student Loan
23 Refinancing and Recalculation Act, the in-
24 terest outstanding at the time of the as-
25 signment of such loan, and any interest ac-

1 cruing after such time, shall not be capital-
2 ized; and

3 “ (iv) beginning on the date of enact-
4 ment of the Student Loan Refinancing and
5 Recalculation Act, interest shall only ac-
6 cruer on the percentage of such a loan that
7 is equal to—

8 “(I) the amount of the out-
9 standing principal on the original loan
10 on the date it was assigned; divided
11 by

12 “(II) the total amount of such
13 assigned loan, including interest out-
14 standing at the time of the assign-
15 ment of such loan and the amount
16 added by the guaranty agency in ac-
17 cordance with clause (i), on the date
18 such loan was assigned.”.

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