## 117TH CONGRESS 2D SESSION <br> H. R. 8872

To amend the Higher Education Act of 1965 to double the Pell Grant award amount, improve the Public Service Loan Forgiveness program, and reduce interest rates, and for other purposes.

## IN THE HOUSE OF REPRESENTATIVES

## September 15, 2022

Ms. Wilson of Florida (for herself, Mr. Scott of Virginia, Ms. Adams, Mr. Sablan, Ms. Bonamici, Ms. Manning, Ms. Norton, Mrs. Hayes, Mr. Takano, Mr. Danny K. Davis of Illinois, Mrs. McBath, Mr. Thompson of Mississippi, Mr. Soto, Mr. DeSaulnier, Mr. Grijalva, Ms. Barragán, Mr. Correa, Mr. Evans, Mrs. Cherfilus-McCormick, Mr. Carbajal, Mr. Torres of New York, Ms. Clarke of New York, Mrs. Lawrence, Mr. Sarbanes, Ms. Lee of California, Ms. Brown of Ohio, Mr. Lawson of Florida, Mr. Carter of Louisiana, Mr. Bowman, Mr. Carson, Mr. Espaillat, and Mr. Castro of Texas) introduced the following bill; which was referred to the Committee on Education and Labor, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

## A BILL

To amend the Higher Education Act of 1965 to double the Pell Grant award amount, improve the Public Service Loan Forgiveness program, and reduce interest rates, 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,

## 1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.-This Act may be cited as the "Lowering Obstacles to Achievement Now Act" or the "LOAN Act".
(b) Table of Contents.-The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
TITLE I—FEDERAL PELL GRANTS
Sec. 101. Doubling Federal Pell Grants and providing all Federal Pell Grants through mandatory funding.
Sec. 102. Providing increased Federal Pell Grants and other assistance for recipients of means-tested benefits.
Sec. 103. Federal aid eligibility for dreamer students.
Sec. 104. Restoring the total semesters of Federal Pell Grant eligibility.
Sec. 105. Reducing financial aid penalties from satisfactory academic progress determinations.
Sec. 106. Federal Pell Grants for graduate students.
TITLE II-AMENDMENTS TO TERMS AND CONDITIONS OF LOANS AND REPAYMENT PLANS

Part A—Direct Loans
Sec. 201. Subsidized loans for graduate and professional students.
Sec. 202. Interest rate on subsidized loans for graduate and professional students.
Sec. 203. Repeal of origination fees.
Sec. 204. Prepayment amounts.
Part B—Automatic Enrollment in Income-Driven Repayment for Certain Borrowers

Sec. 211. Notification and automatic enrollment procedures for borrowers who are delinquent on loans.
Sec. 212. Notification and automatic enrollment procedures for borrowers who are rehabilitating defaulted loans.
Sec. 213. Covered loan, income-driven repayment plan, and non-covered loan defined.
Sec. 214. Automatic recertification of income for income-driven repayment plans.
Sec. 215. Procedure and requirement for requesting tax return information from the IRS.

Part C—Amendments to Certain Loan Forgiveness Programs
Sec. 221. Amendments to terms and conditions of Public Service Loan Forgiveness.
Sec. 222. Loan forgiveness for teachers.

TITLE III—INTEREST CAPITALIZATION
Sec. 301. Elimination of interest capitalization.
Sec. 302. Elimination of disclosure requirements relating to capitalization.
TITLE IV-INTEREST RATES
Sec. 401. Interest rate provisions for new Federal student loans on or after July 1, 2023.
Sec. 402. Refinancing FFEL and Federal Direct Loans.
Sec. 403. Refinancing private student loans.

## TITLE I-FEDERAL PELL GRANTS

## SEC. 101. DOUBLING FEDERAL PELL GRANTS AND PRO-

 VIDING ALL FEDERAL PELL GRANTS THROUGH MANDATORY FUNDING.(a) Amount of Minimum Federal Pell Grants.-Section 401 of the Higher Education Act of 1965 (20 U.S.C. 1070a), as amended by title VII of division FF of the FAFSA Simplification Act (Public Law $116-260)$, is amended-
(1) in subsection (a) $(2)(\mathrm{F})$, by striking " 10 percent" and inserting " 5 percent";
(2) in subsection (b)-
(A) in paragraph (1)(B)(i), by striking "paragraph (5)(A)" and inserting "paragraph (5)'";
(B) by striking paragraph (5) and inserting the following:

> "(5) Maximum federal pell grant.-
"(A) Award year 2024-2025.-For award year 2024-2025, the total maximum Federal Pell Grant award shall be $\$ 9,000$.
"(B) Award year 2025-2026.-For award year 2025-2026, the total maximum Federal Pell Grant award shall be $\$ 10,000$.
"(C) Award year 2026-2027.-For award year 2026-2027, the total maximum Federal Pell Grant award shall be $\$ 11,000$.
"(D) Award year 2027-2028.-For award year 2027-2028, the total maximum Federal Pell Grant award shall be $\$ 12,000$.
"(E) Award year 2028-2029.-For award year 2028-2029, the total maximum Federal Pell Grant award shall be $\$ 13,000$.
"(F) Award year 2029-2030 and subsequent years.-For award year 2029-2030, and each subsequent award year, the total maximum Federal Pell Grant award shall be \$13,000—
"(i) increased by the adjustment percentage for the award year for which the amount under this subparagraph is being determined; and
"(ii) rounded to the nearest $\$ 50$.
"(G) Definition of adjustment per-centage.-In this paragraph, the term 'adjustment percentage,' as applied to an award year, is equal to the percentage increase in the Consumer Price Index, as defined in section 478(f), for the most recent calendar year ending prior to the beginning of the award year.";
(C) by striking paragraphs (6) and (7) and inserting the following:
"(6) Appropriation of funds.-There are authorized to be appropriated, and there are appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for fiscal year 2024 and each subsequent fiscal year to provide the total maximum Federal Pell Grant for which a student shall be eligible under this section during an award year."; and
(D) by redesignating paragraphs (8) and (9) as paragraphs (7) and (8), respectively;
(3) in subsection (d)(5)(B)(ii)-
(A) in subclause (I)(bb), by striking "or" after the semicolon;
(B) in subclause (II)(bb)(CC), by striking the period and inserting "; or"; and
(C) by adding at the end the following:
"(III) during a period for which the student did not receive a loan under this title but for which, if the student had received such a loan, such loan would have been discharged under the circumstances described in subclause (II)(bb)(CC).";
(4) by striking subsections (g) and (h); and
(5) by redesignating subsections (i) and (j) as subsections (g) and (h), respectively.
(b) Repeal of Scoring Requirement.-
(1) In general.-Section 406 of H. Con. Res. 95 (109th Congress) is amended-
(A) by striking subsection (b); and
(B) by striking "(a) In General.-Upon" and inserting the following: "Upon".
(2) Effective Date.-The amendments made by paragraph (1) shall take effect beginning on July 1, 2024.
(c) Student Support Services.-Section 402D(d)(1) of the Higher Education Act of 1965 (20 U.S.C. 1070a-14(d)(1)) is amended by striking "the minimum" and inserting " 10 percent of the maximum".
(d) Scholarship Component.-Section 404E(d) of the Higher Education Act of 1965 (20 U.S.C. 1070a-
$25(\mathrm{~d})$ ) is amended by striking "less than the minimum" and inserting "less than 10 percent of the maximum".

SEC. 102. PROVIDING INCREASED FEDERAL PELL GRANTS AND OTHER ASSISTANCE FOR RECIPIENTS OF MEANS-TESTED BENEFITS.
(a) Increased Amount of Maximum Federal Pell Grants for Students With Negative Student Aid Indexes.—Section 401(b)(1) of the Higher Education Act of 1965 (20 U.S.C. 1070a(b)(1)), as amended by section 2 and section 703 of the FAFSA Simplification Act (Public Law 116-260), is amended-
(1) in subparagraph (A)-
(A) in the matter preceding clause (i), by striking "A student" and inserting "Except in the case of a student with a student aid index of less than zero, a student";
(B) by striking clause (i); and
(C) by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively;
(2) by redesignating subparagraphs (B) through (E) as subparagraphs (C) through (F), respectively;
(3) by inserting after subparagraph (A) the following:
"(B) A student with a student aid index of less than zero shall be eligible for a Federal Pell Grant award that exceeds the total maximum Federal Pell Grant by an amount equal to the amount by which the student's student aid index is less than zero.";
(4) in subparagraph (C), as redesignated by paragraph (2)—
(A) in the matter preceding clause (i), by striking "subparagraph (A) for an academic year," and inserting "subparagraph (A), or an increased Federal Pell Grant under subparagraph (B), for an academic year,"; and
(B) in clause (ii), by striking ", except that a student aid index of less than zero shall be considered to be zero for the purposes of this clause";
(5) in subparagraph (D), as redesignated by paragraph (2), by striking "(A) or (B)" and inserting "(A), (B), or (C)";
(6) in subparagraph (E), as redesignated by paragraph (2), by inserting "or an increased Federal Pell Grant under subparagraph (B)" after "subparagraph (A)"; or
(7) in subparagraph (F), as redesignated by paragraph (2), by striking "or a minimum Federal Pell Grant under subparagraph (C)" and inserting "an increased Federal Pell Grant under subparagraph (B), or a minimum Federal Pell Grant under subparagraph (D)".
(b) Special Student Aid Index Rule for Recipients of Means-Tested Benefits.-Section 473 of the Higher Education Act of 1965 (20 U.S.C. 1087mm), as amended by section $702(b)$ of the FAFSA Simplification Act (Public Law 116-260), is amended by adding at the end the following:
"(d) Speclal Rule for Means-Tested Benefit Recipients.-Notwithstanding subsection (b), for an applicant (or, as applicable, an applicant and spouse, or an applicant's parents) who, at any time during the previous 24-month period, received a benefit under a means-tested Federal benefit program (or whose parent or spouse received such a benefit, as applicable), the Secretary shall for the purposes of this title consider the student aid index as equal to $-\$ 1,500$ for the applicant.".

SEC. 103. FEDERAL AID ELIGIBILITY FOR DREAMER STUDENTS.

Section 484 of the Higher Education Act of 1965 (20 U.S.C. 1091), as amended by section $702(\mathrm{n})$ of the

FAFSA Simplification Act (Public Law 116-260), is amended-
(1) in subsection (a)(5), by inserting ", or be a Dreamer student, as defined in subsection (u)" after "becoming a citizen or permanent resident"; and
(2) by adding at the end the following:
"(u) Dreamer Students.-
"(1) In general.-In this section, the term 'Dreamer student' means an individual who-
"(A)(i) is not a citizen or national of the United States; and
"(ii) is inadmissible or deportable under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.)); and
"(B)(i) in the case of such an individual who was younger than 18 years of age on the date on which the individual initially entered the United States-
"(I) has earned a high school diploma, the recognized equivalent of such diploma from a secondary school, or a high school equivalency diploma recognized by State law, or is scheduled to complete the requirements for such a diploma or equivalent before the next academic year begins;
"(II) is enrolled at an institution of higher education pursuant to subsection (d);
"(III) has served in the uniformed services (as such term is defined in section 101 of title 10, United States Code) for not less than 2 years and, if discharged, received an honorable discharge;
"(IV) has acquired a degree, certificate, or recognized postsecondary credential from an institution of higher education or area career and technical education school (as such term is defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2302)); or
"(V) has completed not less than 2 years in a postsecondary program at an institution of higher education, or area career and technical education school, in the United States and has made satisfactory academic progress, as defined in subsection (c), during such time period; or "(ii)(I) is, or at any time was, eligible for a grant of deferred action pursuant to-
"(aa) the memorandum of the Department of Homeland Security entitled 'Exercising Prosecutorial Discretion with Respect to Individuals Who Came to the United States as Children' issued on June 15, 2012; or
"(bb) the memorandum of the Department of Homeland Security entitled 'Exercising Prosecutorial Discretion with Respect to Individuals Who Came to the United States as Children and with Respect to Certain Individuals Who Are the Parents of U.S. Citizens or Permanent Residents' issued on November 20, 2014; or
"(II) would have been eligible for such a grant of deferred action if the applicable memorandum described in subclause (I) had been fully in effect since the date on which it was issued.
"(2) Hardship exception.—The Secretary shall issue regulations that direct when the Department shall waive the age requirement of paragraph (1)(B)(i) for an individual to qualify as a Dreamer student under such paragraph, if the individual dem-
onstrates compelling circumstances, such as economic hardship (as defined in section 435(o)).".

## SEC. 104. RESTORING THE TOTAL SEMESTERS OF FEDERAL

 PELL GRANT ELIGIBILITY.Section 401(d)(5)(A) of the Higher Education Act of 1965, as added by section 703 of the FAFSA Simplification Act (Public Law 116-260), is amended by striking " 12 " each place the term appears and inserting " 18 ".

## SEC. 105. REDUCING FINANCIAL AID PENALTIES FROM SAT-

 ISFACTORY ACADEMIC PROGRESS DETERminations.Section 484(c) of the Higher Education Act of 1965
(20 U.S.C. 1091(c)) is amended to read as follows:
"(c) Satisfactory Progress.-
"(1) Definitions.-In this subsection:
"(A) Appeal.-The term 'appeal' means a process by which a student who is not meeting the institution's satisfactory academic progress standards petitions the institution for reconsideration of the student's eligibility for assistance under this title.
"(B) Financlal aid probation.-The term 'financial aid probation' means a status assigned by an institution to a student who fails to make satisfactory academic progress and
who has appealed and has had eligibility for aid reinstated.
"(C) Financlal aid warning.-The term 'financial aid warning' means a status assigned to a student who fails to make satisfactory academic progress at the end of the semester or equivalent period in which the student first fails to make such progress.
"(D) Payment period.-The term 'payment period' means the applicable payment period described in section 668.4 of title 34, Code of Federal Regulations, or any successor regulation.
"(2) Satisfactory academic progress pol-ICY.-An institution shall establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in the student's educational program and may receive assistance under this title. The Secretary shall consider the institution's policy to be reasonable if-
"(A) the policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under this title;
"(B) the policy provides for consistent application of standards to all students, including full-time, part-time, undergraduate, and graduate students, and all educational programs established by the institution;
"(C)(i) the policy specifies the grade point average that a student must achieve at each evaluation, or if a grade point average is not an appropriate qualitative measure, a comparable assessment measured against a norm; and
"(ii) if a student is enrolled in an educational program of more than 2 academic years, the policy specifies that at the end of the second academic year, the student must have a grade point average of at least a 'C' or its equivalent, or have academic standing consistent with the institution's requirements for graduation;
"(D) the policy provides for measurement of the student's progress at each evaluation;
"(E) the policy describes-
"(i) how a student's grade point average and the pace at which the student progresses toward completion are affected by course incompletes, withdrawals, or repeti-
tions, or transfers of credit from other institutions, including that credit hours from another institution that are accepted toward the student's educational program are counted as both attempted and completed hours; and
"(ii) how after a student reenrolls after the student's satisfactory academic progress was reset pursuant to paragraph (3)(B), the student may have any credits that were earned before the student was determined not to be making satisfactory academic progress counted for purposes of determining progress when the student reenrolls, but any attempted hours that were not earned by the student (including incompletes, withdrawn courses, and failed courses) before the student was determined not to be making satisfactory academic progress will not negatively impact the determination of whether the student made satisfactory academic progress after such reset;
"(F) the policy provides that, except as provided in subparagraph (G) with respect to a
student placed on financial aid warning or financial aid probation and paragraph (3), a student is no longer eligible to receive assistance under this title if the student has not achieved the required grade point average or who is not making progress toward completion in the student's educational program-
"(i) at the time of each evaluation with respect to a student who is in an educational program of 2 academic years or less in length; or
"(ii) at the end of the second academic year with respect to a student who is in an educational program of more than 2 academic years in length;
"(G) the policy describes when students will be placed on financial aid warning or financial aid probation, in accordance with paragraph (4), and provides that-
"(i) a student on financial aid warn-ing-
"(I) shall receive assistance under this title for one payment period despite a determination that the
student is not making satisfactory academic progress; and
"(II) may be assigned such status without an appeal or other action by the student; and
"(ii)(I) a student on financial aid probation may receive assistance under this title for one payment period and the institution may require the student to fulfill specific terms and conditions, such as taking a reduced course load or enrolling in specific courses; and
"(II) at the end of such one payment period, the student is required to meet the institution's satisfactory academic progress standards, or meet the requirements of the academic plan developed by the institution and the student, in order to qualify for continued assistance under this title;
"(H) if the institution permits a student to appeal a determination by the institution that the student is not making satisfactory academic progress, the policy describes-
"(i) how the student may reestablish the student's eligibility to receive assistance under this title;
"(ii) the basis on which the student may file an appeal, including because of the death of a relative, an injury or illness of the student, or another special circumstance; and
"(iii) information the student is required to submit regarding why the student failed to make satisfactory academic progress, and what has changed in the student's situation that will allow the student to demonstrate satisfactory academic progress at the next evaluation; "(I) if the institution does not permit a student to appeal a determination by the institution that the student is not making satisfactory academic progress, the policy describes how the student may reestablish the student's eligibility to receive assistance under this title; " $(J)$ the policy provides for notification to students of the results of an evaluation that impacts the student's eligibility for assistance under this title; and
"(K) the policy does not impose satisfactory progress limitations on need-based institutional aid that are more stringent than the standard applied under this subsection without demonstrating to the Secretary the effectiveness of such limitations on improving student persistence in, and completion of, postsecondary study.
"(3) Regaining eligibility.-
"(A) Students who remain in SChool.-Whenever a student fails to meet the eligibility requirements of subsection (a)(2) as a result of the application of this subsection and, subsequent to that failure, the student has academic standing for any grading period consistent with the requirements for staying on track to graduate within 150 percent of the published length of the educational program, as determined by the institution, the student shall again be eligible under subsection (a)(2) for a grant, loan, or work assistance under this title, as long as the student maintains satisfactory academic progress under paragraph (2) beginning on and after the date that the student regains eligibility.
"(B) Students who leave school.-
"(i) In general.-If a student has not been enrolled in any institution of higher education for the immediately preceding 2 years, any previous failure to meet the eligibility requirements of subsection (a)(2) shall not be used in any determination of eligibility of such student under such subsection. Such student shall, on the date of enrollment subsequent to such 2-year period, have the student's eligibility for a grant, loan, or work assistance under this title reset and be deemed as meeting the requirements described in paragraph (2). Beginning on and after such date, the student's satisfactory academic progress shall be determined in accordance with paragraph (2)(E)(ii).
"(ii) Maximum number of resets.-A student shall be eligible for a reset of eligibility pursuant to this subparagraph not more than 2 times.
"(C) Duties of the secretary.-The
"(i) send, to each student who failed to meet the eligibility requirements of subsection (a)(2) and who has not regained eligibility for a grant, loan, or work assistance under subparagraph (A), a notice, two years after such failure, that in-cludes-
"(I) a notification that, if the student has not been enrolled in any institution of higher education for the preceding two years and has not received two resets of eligibility under subparagraph (B), the student may use grant, loan, or work assistance under this title for enrollment at any eligible institution, including an institution other than the institution in which the student was previously enrolled;
"(II) a notification that, if the student has remained enrolled, or resumed enrollment, at an institution of higher education, the student may be eligible for a grant, loan, or work as-
sistance under this title subject to the requirements of subparagraph (A);
"(III) information on how many semesters of eligibility for a grant, loan, or work assistance under this title to which the student still has access; and
"(IV) a notification that the student should ask any prospective eligible institution how many of the student's previously completed credits the student would be able to transfer; and "(ii) submit an annual report to Congress on the outcomes of students who have received a reset of eligibility pursuant to this paragraph, including-
"(I) the number of students who reenroll in an eligible institution after such reset, disaggregated by race or ethnicity, sex, age, socioeconomic status, and disability status;
"(II) the 250 eligible institutions with the highest numbers of enrolled students receiving grant, loan, or
work assistance under this title after such a reset;
"(III) the 250 eligible institutions with the highest share of enrolled students receiving grant, loan, or work assistance under this title after such a reset; and
"(IV) the average completion rate and time to completion for students who reenroll in an eligible institution after such reset, disaggregated by institution.
"(4) Evaluation of academic progress.-
"(A) In general.-An institution that determines that a student is not making satisfactory academic progress under its policy may disburse funds provided through student financial assistance programs under this title (including work-study programs under subtitle C) to the student in accordance with subparagraphs (B), (C), and (D).
"(B) Payment period following not MAKING SATISFACTORY ACADEMIC PROGRESS.For the payment period following the payment period in which a student did not make satis-
factory academic progress, the institution shall place the student on financial aid warning and disburse funds under this title to the student. "(C) Payment period following financlal aid warning.-For the payment period following a payment period during which a student was on financial aid warning, the institution may place the student on financial aid probation, and disburse funds under this title to the student if-
"(i) the institution evaluates the student's progress and determines that student did not make satisfactory academic progress during the payment period the student was on financial aid warning;
"(ii) the student appeals the determination; and
"(iii)(I) the institution determines that the student should be able to meet the institution's satisfactory academic progress standards by the end of the subsequent payment period; or
"(II) the institution develops an academic plan for the student that, if followed, will ensure that the student is able
to meet the institution's satisfactory academic progress standards by a specific point in time.
"(D) Payment period following financlal aid probation.-A student on financial aid probation for a payment period may not receive funds under this title for the subsequent payment period unless the student makes satisfactory academic progress or the institution determines that the student met the requirements specified by the institution in the academic plan for the student developed under subparagraph (C)(iii)(II).
"(E) Frequency of academic progress evaluation and communication.-
"(i) In general.-Subject to clause (ii), for the purpose of determining whether presently enrolled students are maintaining satisfactory progress, each institution of higher education that enrolls students who receive any grant, loan, or work assistance under this title shall review the progress of such students at the end of each payment period.
"(ii) Shorter payment periods.For each institution described in clause (i) that has payment periods that are shorter than on the semester system basis (such as on a quarterly or trimester system basis or by clock hour program or non-term program), such institution shall review the progress of presently enrolled students at the end of each semester or equivalent period of 12 to 18 weeks.
"(iii) Financlal aid warning.-At the end of each payment period (or, in the case of an institution described in clause (ii), at the end of each semester or equivalent period), each institution shall send a financial aid warning to presently enrolled students that do not meet the grade point average requirement described in paragraph (2), or its equivalent or academic standing consistent with the requirements for graduation, as determined by the institution, that informs the students of their risk of being determined to not be maintaining satisfactory progress and therefore losing eligibility for grant, loan, or work
assistance under this title and provides information on-
"(I) the specific criteria of the institution's academic requirements that the student is not meeting and the specific improvements needed to meet the requirements; and
"(II) how to meet with the student's academic advisor to get the academic support the student needs.
"(5) Detailing Requirements to stu-DENTS.-Each institution of higher education that enrolls students who receive any grant, loan, or work assistance under this title shall detail the institution's requirements regarding students maintaining satisfactory academic progress-
"(A) to such students before the students begin classes at the institution through a detailed communication that may be separate from a financial aid offer; and
"(B) on the financial aid webpage of the website of the institution.
"(6) Consumer testing.—The Secretary-
"(A) shall conduct consumer testing to develop exemplary practices and templates-
"(i) to support institutions of higher education in carrying out paragraph (5); and
"(ii) which shall be available as resources for institutions of higher education; and
"(B) shall not require the use of such practices and templates by institutions of higher education.".

## SEC. 106. FEDERAL PELL GRANTS FOR GRADUATE STU-

 DENTS.Section 401 of the Higher Education Act of 1965 (20 U.S.C. 1070a), as amended by title VII of division FF of the FAFSA Simplification Act (Public Law 116-260), is amended-
(1) in subsection (b)(8)(A), by inserting "or as a postbaccalaureate student in accordance with subsection (d)(1)" after "as an undergraduate"; and
(2) in subsection (d)-
(A) by amending paragraph (1) to read as follows:
"(1) In general.-The period during which a student may receive Federal Pell Grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pur-
sued by that student at the institution at which the student is in attendance except that-
"(A) any 1-year period during which the student is enrolled in a noncredit or remedial course of study as defined in paragraph (2) shall not be counted for the purpose of this paragraph; and
"(B) the period during which a student may receive Federal Pell Grants shall also include the period required for the completion of the first postbaccalaureate course of study in a case in which-
"(i) the student received a Federal Pell Grant during the period required for the completion of the student's first undergraduate baccalaureate course of study for at least 1 but fewer than 18 semesters, or the equivalent of at least 1 but fewer than 18 semesters, as determined under paragraph (5);
"(ii) the student would otherwise be eligible for a Federal Pell Grant, but for the completion of such baccalaureate course of study; and
"(iii) the period during which the student receives Federal Pell Grants does not exceed the student's duration limits under paragraph (5)."; and
(B) in paragraph (2), by striking "or certificate" and inserting ", certificate, or first postbaccalaureate degree".

## TITLE

II-AMENDMENTS
TO TERMS AND CONDITIONS OF LOANS AND REPAYMENT PLANS

## PART A-DIRECT LOANS

SEC. 201. SUBSIDIZED LOANS FOR GRADUATE AND PROFESSIONAL STUDENTS.

Section 455(a)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)(3)) is amended-
(1) in subparagraph (A), in the matter preceding clause (i), by striking "subparagraph (B)" and inserting "subparagraphs (B) and (C)"; and
(2) by adding at the end the following:
"(C) Authority to make interest subSidized loans to graduate and professional students.-For any period of instruction at an institution of higher education (as defined in section 101 or section 102(a)(1)(C),
except that a graduate medical school, nursing school, or a veterinary school, located outside the United States that does not meet the requirements of section $101(\mathrm{a})(4)$ shall be excluded) beginning on or after July 1, 2023, a graduate or professional student shall be eligible to receive a Federal Direct Stafford loan under this part.".

## SEC. 202. INTEREST RATE ON SUBSIDIZED LOANS FOR

 GRADUATE AND PROFESSIONAL STUDENTS.Section 455(b)(8)(B) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{b})(8)(\mathrm{B})$ ) is amended-
(1) in the heading for subparagraph (B), by striking "FDUSL" and inserting "FDSL AND FDUSL"; and
(2) by inserting "and Federal Direct Stafford Loans" after "Federal Direct Unsubsidized Stafford Loans".

## SEC. 203. REPEAL OF ORIGINATION FEES.

Section 455(c)(2) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{c})(2)$ ) is amended-
(1) by striking "and" at the end of subparagraph (D); and
(2) by adding at the end the following:
"(E) by substituting ' 0.0 percent' for ' 4.0 percent' with respect to loans for which the first disbursement of principal is made on or after July 1, 2023.".

## SEC. 204. PREPAYMENT AMOUNTS.

Section 455(d) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{d})$ ) is amended by adding at the end the following:
"(6) APPLICATION OF PREPAYMENT amounts.-
"(A) Requirement for eligible bor-ROWERS.-
"(i) In General.-Notwithstanding any other provision of this subsection or any other provision of law-
"(I) with respect to loans made to an eligible borrower under this part or part B , which are held by the same holder and which have different applicable rates of interest, the holder of such loans shall, unless otherwise requested by the borrower in writing, apply the borrower's prepayment amount (within the meaning of section 682.209(b) of title 34, Code of

Federal Regulations, or a successor regulation) for one or more of such loans, first toward the outstanding balance of principal due on the loan with the highest applicable rate of interest among such loans; and
"(II) except as provided in subclause (I), with respect to loans made to an eligible borrower under this part or part B , which are held by the same holder and which have the same applicable rates of interest, the holder of such loans shall, unless otherwise requested by the borrower in writing, apply the borrower's prepayment amount (within the meaning of section 682.209(b) of title 34, Code of Federal Regulations, or a successor regulation) for one or more of such loans, first toward the outstanding balance of principal due on the loan with the highest principal balance among such loans.
"(ii) Eligible borrower De-FINED.-For purposes of this paragraph,
the term 'eligible borrower' means a borrower with no outstanding balance of fees, including collection costs and authorized late charges, due on any loan made under this part or part B.
"(B) Requirement for other bor-rowers.-A prepayment amount (as described in subparagraph (A)(i)) made by a borrower who is not an eligible borrower to a holder shall be applied first toward the borrower's outstanding balance of fees, including collection costs and authorized late charges, due on any loan made under this part or part B held by such holder.".

## PART B-AUTOMATIC ENROLLMENT IN INCOMEDRIVEN REPAYMENT FOR CERTAIN BORROWERS SEC. 211. NOTIFICATION AND AUTOMATIC ENROLLMENT PROCEDURES FOR BORROWERS WHO ARE DELINQUENT ON LOANS.

Section 455(d) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{d})$ ), as amended by this Act, is further amended by adding at the end the following:
"(9) Notification and automatic enrollment procedures for borrowers who are deLINQUENT ON LOANS.-
"(A) Authority to obtain income in-FORMATION.-The Secretary shall establish and implement, with respect to any borrower described in subparagraph (B), procedures to-
"(i) use return information of the borrower (and the borrower's spouse, if applicable) disclosed under section 6103(1)(13) of the Internal Revenue Code of 1986, pursuant to approval provided under section 494, to determine the income and family size of the borrower (and the borrower's spouse, if applicable) without further action by the borrower;
"(ii) allow the borrower (or the spouse of the borrower), at any time, to opt out of disclosure under such section $6103(1)(13)$ and instead provide such information as the Secretary may require to determine the income and family size of the borrower (and the borrower's spouse, if applicable); and
"(iii) provide the borrower with an opportunity to update the return information so disclosed before the determination of the
income and family size of the borrower for purposes of this paragraph.
"(B) Borrower notification.-With respect to each borrower of a covered loan who is at least 31 days delinquent on such loan and who has not been subject to the procedures under this paragraph for such loan in the preceding 62 days, the Secretary shall, as soon as practicable after such 31-day delinquency, provide to the borrower the following:
"(i) Notification that the borrower is at least 31 days delinquent on at least 1 covered loan, and a description of all delinquent covered loans, nondelinquent covered loans, and noncovered loans of the borrower.
"(ii) A brief description of the repayment plans for which the borrower is eligible and the covered loans and noncovered loans of the borrower that may be eligible for such plans, based on information available to the Secretary.
"(iii) The amount of monthly payments for the covered and noncovered loans under each repayment plan identified
under clause (ii), based on information available to the Secretary, including, if the income information of the borrower is available to the Secretary under subparagraph (A), the income, family size, tax filing status, and tax year information on which each such monthly payment is based.
"(iv) Clear and simple instructions on how to select the repayment plans.
"(v) An explanation that, in the case of a borrower for whom adjusted gross income is unavailable-
"(I) if the borrower selects to repay the covered loans of such borrower pursuant to an income-driven repayment plan that defines discretionary income in such a manner that an individual not required under section 6012(a)(1) of the Internal Revenue Code of 1986 to file a return with respect to income taxes imposed by subtitle $A$ of such Code may have a calculated monthly payment greater than $\$ 0$, the borrower will be required
to provide the Secretary with other documentation of income satisfactory to the Secretary, which documentation the Secretary may use to determine an appropriate repayment schedule; and
"(II) if the borrower selects to repay such loans pursuant to an in-come-driven repayment plan that is not described in subclause (I), the borrower will not be required to provide the Secretary with such other documentation of income, and the borrower will have a calculated monthly payment of $\$ 0$.
"(vi) An explanation that the Secretary shall take the actions under subparagraph (C) with respect to such borrower, if-
"(I) the borrower is 80 days delinquent on 1 or more covered loans and has not selected a new repayment plan for the covered loans of the borrower; and
"(II) in the case of such a borrower whose existing repayment plan for the covered loans of the borrower is not an income-driven repayment plan, the monthly payments under such existing repayment plan are higher than such monthly payments would be under an income-driven repayment plan.
"(vii) Instructions on updating the information of the borrower obtained under subparagraph (A).
"(C) Secretary's selection of a PLAN.-With respect to each borrower described in subparagraph (B) whose existing repayment plan for the covered loans of the borrower is described in clause (vi)(II) of subparagraph (B), and who has not selected a new repayment plan for such loans in accordance with the notice received under such subparagraph and who is at least 80 days delinquent on such a loan, the Secretary shall, as soon as prac-ticable-
"(i) in a case in which any of the borrower's covered loans are eligible for an in-come-driven repayment plan-
"(I)(aa) provide the borrower with the income-driven repayment plan that requires the lowest monthly payment amount for each covered loan of the borrower, compared to any other such plan for which the borrower is eligible; or
"(bb) if more than one incomedriven repayment plan would offer the borrower the same lowest monthly payment amount, provide the borrower with the income-driven repayment plan that has the most favorable terms for the borrower;
"(II) if the plan selected under subclause (I) is not the income-driven repayment plan that would have the lowest monthly payment amount if the borrower were eligible for such plan for the borrower's covered loans and noncovered loans, notify the borrower of the actions, if any, the borrower
may take to become eligible for such income-driven repayment plan; and
"(III) authorize the borrower to change the Secretary's selection of a plan under this clause to any plan described in paragraph (1) for which the borrower is eligible; and
"(ii) in a case in which none of the borrower's covered loans are eligible for an income-driven repayment plan, notify the borrower of the actions, if any, the borrower may take for such loans to become eligible for such a plan.".

SEC. 212. NOTIFICATION AND AUTOMATIC ENROLLMENT PROCEDURES FOR BORROWERS WHO ARE REHABILITATING DEFAULTED LOANS.

Section 455(d) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{d})$ ), as amended by this Act, is further amended by adding at the end the following:
"(10) Notification and automatic enrollment procedures for borrowers who are reHABILITATING DEFAULTED LOANS.-
"(A) Authority to obtain income in-Formation.-The Secretary shall establish and implement, with respect to any borrower who is
rehabilitating a covered loan pursuant to section $428 \mathrm{~F}(\mathrm{a})$, procedures to-
"(i) use return information of the borrower (and the borrower's spouse, if applicable) disclosed section $6103(1)(13)$ of the Internal Revenue Code of 1986, pursuant to approval provided under section 494, to obtain such information as is reasonably necessary regarding the income and family size of the borrower (and the borrower's spouse, if applicable);
"(ii) allow the borrower (or the spouse of the borrower), at any time, to opt out of disclosure under such section $6103(1)(13)$ and instead provide such information as the Secretary may require to obtain such information; and
"(iii) provide the borrower with an opportunity to update the return information so disclosed before the determination of income and family size of the borrower (and the borrower's spouse, if applicable) for purposes of this paragraph.
"(B) Borrower notification.-Not later than 30 days after a borrower makes the

6th payment required on such covered loan for the loan rehabilitation described in subparagraph (A), the Secretary shall notify the borrower of the process under subparagraph ( C ) with respect to such loan.
"(C) Secretary's selection of plan.With respect to each borrower who has made the 9 th payment required on such covered loan for the loan rehabilitation described in subparagraph (A), the Secretary shall, as soon as practicable after such payment, carry out the procedures described in clauses (i) and (ii) of paragraph (9)(C) with respect to such loan.".

## SEC. 213. COVERED LOAN, INCOME-DRIVEN REPAYMENT

PLAN, AND NON-COVERED LOAN DEFINED.
Section 455(d) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{d})$ ), as amended by this Act, is further amended by adding at the end the following:
"(11) Definitions.-In this subsection:
"(A) Covered loan.-The term 'covered loan' means-
"(i) a loan made under this part;
"(ii) a loan purchased under section 459A; or
"(iii) a loan that has been assigned to the Secretary under subsection (c)(8) or (j)(3)(B) of section 428, or subsection (a)(1)(A)(ii) or (a)(1)(G) of section 428F. "(B) Income-driven repayment PLAN.-The term 'income-driven repayment plan' means a repayment plan described in subparagraph (D) or (E) of paragraph (1).
"(C) Noncovered loan.-The term 'noncovered loan' means a loan made, insured, or guaranteed under this title that is not a covered loan.".

SEC. 214. AUTOMATIC RECERTIFICATION OF INCOME FOR INCOME-DRIVEN REPAYMENT PLANS.
(a) Income-Contingent Repayment Plans.-Section 455(e)(8)(A) of the Higher Education Act of 1965 (20 U.S.C. 1087e(e)(8)(A)) is amended-
(1) by striking "and" at the end of clause (ii);
(2) by redesignating clause (iii) as clause (iv);
(3) in clause (iv) (as so redesignated), by striking the period at the end and inserting "; and"; and
(4) by inserting after clause (ii), the following:
"(iii) in the case of a borrower who has selected to repay a loan made under this part pursuant to an income contingent
repayment plan that defines discretionary income in such a manner that the borrower would have a calculated monthly payment equal to $\$ 0$, not require the borrower to provide the Secretary the information described in clause (i) or (ii), and ensure that the borrower will have a calculated monthly payment of $\$ 0$; and".
(b) Income-Based Repayment Plans.-Section 493C(c)(2)(B) of the Higher Education Act of 1965 (20 U.S.C. $1098 \mathrm{e}(\mathrm{c})(2)(\mathrm{B})$ ) is amended by striking "any loan made under part D (other than an excepted PLUS loan or excepted consolidation loan)" and inserting "any covered loan (as defined in section $455(\mathrm{~d})(11)$ )".

SEC. 215. PROCEDURE AND REQUIREMENT FOR REQUESTING TAX RETURN INFORMATION FROM THE IRS.

Section 494(a) of the Higher Education Act of 1965 (20 U.S.C. $1098 \mathrm{~h}(\mathrm{a})$ ) is amended-
(1) in paragraph (2)-
(A) in subparagraph (A), in the matter preceding clause (i), by striking "a loan under part D" and inserting "a covered loan (as defined in section 455(d)(11))"; and
(B) in subparagraph (B), by striking "a loan under part D" and inserting "a covered loan (as defined in section 455(d)(11))"; and
(2) by adding at the end the following:
"(4) Loan delinquency and rehabilita-TION.-
"(A) Borrowers Delinquent on loans.-In the case of an individual who is a borrower of a covered loan and who is at least 31 days delinquent on such loan, the Secretary, with respect to such individual and any spouse of such individual, shall-
"(i) provide to such individuals the notification described in paragraph (1)(A)(i); and
"(ii) require, as a condition of eligibility for the notification and automatic enrollment procedures under section 455(d)(9), that such individuals-
"(I) affirmatively approve the disclosure described in paragraph (1)(A)(i) and agree that such approval shall serve as an ongoing approval of such disclosure until the date on which the individual elects to opt out
of such disclosure under section 455(d)(9)(A)(ii); or
"(II) provide such information as the Secretary may require to carry out the procedures under section $455(\mathrm{~d})(9)$ with respect to such individual.
"(B) Loan rehabilitation.-In the case of any written or electronic application by an individual for the rehabilitation of a covered loan pursuant to section 428 F (a), the Secretary, with respect to such individual and any spouse of such individual, shall-
"(i) provide to such individuals the notification described in paragraph (1)(A)(i); and
"(ii) require, as a condition of eligibility for loan rehabilitation pursuant to section $428 \mathrm{~F}(\mathrm{a})$, that such individuals-
"(I) affirmatively approve the disclosure described in paragraph (1)(A)(i) and agree that such approval shall serve as an ongoing approval of such disclosure until the date on which the individual elects to opt out
of such disclosure under section 455(d)(10)(A)(ii); or
"(II) provide such information as the Secretary may require to carry out the procedures under section $455(\mathrm{~d})(10)$ with respect to such individual.
"(C) Covered loan defined.-In this paragraph, the term 'covered loan' has the meaning given the term in section $455(\mathrm{~d})(11)$. .". PART C-AMENDMENTS TO CERTAIN LOAN FORGIVENESS PROGRAMS

SEC. 221. AMENDMENTS TO TERMS AND CONDITIONS OF PUBLIC SERVICE LOAN FORGIVENESS.
(a) Number of Monthly Payments; Repayment Plans.—Paragraph (1) of section $455(\mathrm{~m})$ of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{m})$ ) is amend-ed-
(1) in subparagraph (A)-
(A) in the matter preceding clause (i), by striking " 120 " and inserting " 96 ";
(B) by striking "or" at the end of clause (iii);
(C) in clause (iv), by striking "and" and inserting "or"; and
(D) by adding at the end the following:
"(v) in lieu of such a payment, has been in-
"(I) cancer treatment deferment under section $427(a)(2)$ (C)(iv), 428(b)(1)(M)(v), or 455(f)(3);
"(II) rehabilitation training program deferment under section 427(a)(2)(C)(i)(II), 428(b)(1)(M)(i)(II), or 455(f)(2)(A)(ii);
"(III) military service deferment under section 428(b)(1)(M)(iii) or 455(f)(2)(C);
"(IV) unemployment deferment under section $427(\mathrm{a})(2)(\mathrm{C})(\mathrm{ii})$, 428(b)(1)(M)(ii), 428B(d)(1)(A)(i), or $455(\mathrm{f})(2)(\mathrm{B})$;
"(V) deferment due to an economic hardship described in section 427(a)(2)(C)(iii), section 428(b)(1)(M)(iv), section $428 \mathrm{~B}(\mathrm{~d})(1)(\mathrm{A})(\mathrm{i})$, section $435(\mathrm{o})$, or section $455(\mathrm{f})(2)(\mathrm{D})$;
"(VI) Peace Corps service deferment under section $682.210(\mathrm{~b})(2)(\mathrm{ii})$ or $682.210(\mathrm{k})$ of title 34, Code of Federal Regulations (or successor regulations), as made applicable to Direct Loan borrowers under section 685.204(j) of such title 34;
"(VII) has been in post-activeduty student deferment under section 493D;
"(VIII) AmeriCorps forbearance under section 428(c)(3)(A)(i)(III);
"(IX) National Guard Duty forbearance under section 682.211(h)(2)(iii) or $685.205(\mathrm{a})(7)$ of title 34, Code of Federal Regulations (or successor regulations);
"(X) Department of Defense student loan repayment program forbearance under section 428(c)(3)(A)(i)(IV);
"(XI) Administrative forbearance or mandatory administrative forbear-
ance under section 428(c)(3)(D) or 428H(e)(7); or
"(XII) Student loan debt burden forbearance under section 428(c)(3)(A)(i)(II); and"; and
(2) in subparagraph (B), by striking "(i) is employed" and all that follows through "has been" and inserting "has been".
(b) Automatic Cancellation.-Paragraph (2) of section 455(m) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{m})(2))$ is amended by adding at the end the following: "In the case of a borrower who meets the requirements under paragraph (1) for such cancellation, such cancellation shall occur without further action by the borrower.".
(c) Treatment of Refinanced Loans; On-Line Portal; Database of Public Service Jobs.-Section $455(\mathrm{~m})$ of such Act ( 20 U.S.C. $1087 \mathrm{e}(\mathrm{m})$ ) is further amended-
(1) by redesignating paragraphs (3) and (4) as paragraphs (6) and (7), respectively; and
(2) by inserting after paragraph (2) the following:
"(3) Treatment of loans refinanced UNDER SECTIONS 460A.-In the case of an eligible
refinanced Federal Direct Loan under section 460A, any monthly payment pursuant to any repayment plan listed in paragraph (1)(A) (including a period of deferment or forbearance described in paragraph (1)(A)(v)) made on a loan, for which the liability has been discharged by such refinanced loan and without regard to whether such loan is an eligible Federal Direct Loan, shall be treated as a monthly payment under paragraph (1)(A) on the portion of such refinanced loan that is attributable to such discharged loan.
"(4) On-Line portal.-
"(A) Borrowers.-The Secretary shall ensure that borrowers have access to an on-line portal that provides each borrower who signs on to such portal with the following:
"(i) Instructions on how to access the database under paragraph (5) so that the borrower can determine whether the borrower is employed in a public service job. "(ii) An identification of the loans of the borrower that are eligible Federal Direct Loans.
"(iii) With respect to each such eligible Federal Direct Loan, the number of
monthly payments on such loan that qualify as a monthly payment under paragraph (1)(A), and the estimated number of monthly payments under paragraph (1)(A) remaining on such loan before the borrower may be eligible for loan cancellation under this subsection.
"(iv) With respect to each loan of the borrower that is not eligible for loan cancellation under this subsection, an explanation of why the loan is not so eligible and instructions on how what, if anything, the borrower may do to make the loan so eligible.
"(v) Instructions for the submission of any forms associated with such loan cancellation, and an ability for the borrower to use the portal to electronically sign and submit such forms.
"(vi) In the case of a borrower who disputes a determination of the Secretary relating to the entitlement of the borrower to loan cancellation under paragraph (2)—
"(I) an ability for the borrower to file a claim with the Secretary to
dispute such determination through the portal; and
"(II) in the case of such a claim that has been filed, the status of such claim, for which updates shall be provided not fewer than once every 90 days.
"(B) Employers.-The Secretary shall ensure that an employer of a borrower has the option to electronically sign and submit any forms associated with loan cancellation under this subsection.
"(C) Information.-The Secretary shall ensure that any information provided through the on-line portal described in this paragraph is up-to-date information.
"(5) Database of public service jobs.-
"(A) In general.-The Secretary, in consultation with the Secretary of Labor, shall establish and regularly update a database that lists public service jobs.
"(B) Public availability.-The database established under subparagraph (A) shall be made available on a publicly accessible
website of the Department in an easily searchable format."
(d) Definitions.-Section $455(\mathrm{~m})$ of such Act is further amended in paragraph (6)(A) (as so redesignated by subsection (c))—
(1) by inserting before the period at the end the following: "(including any Federal Direct Stafford Loan, Federal Direct PLUS Loan, Federal Direct Unsubsidized Stafford Loan, or Federal Direct Consolidation Loan refinanced under section 460A)";
(2) by striking "The term" and inserting the following:
"(i) In general.-The term"; and
(3) by adding at the end the following:
"(ii) Treatment of certain consolidation loan payments.-In the case of an eligible Federal Direct Loan that is a Federal Direct Consolidation Loan made on or after the date of enactment of the LOAN Act, any monthly payment pursuant to any repayment plan listed in paragraph (1)(A) (including a period of deferment or forbearance described in paragraph (1)(A)(v)) made on a loan, for which the liability has been discharged by
the proceeds of such Federal Direct Consolidation Loan and without regard to whether the loan is an eligible Federal Direct Loan, shall be treated as a monthly payment under paragraph (1)(A) on the portion of such Federal Direct Consolidation Loan that is attributable to such discharged loan, except that in a case of a borrower who previously received a Federal Direct Consolidation Loan, any monthly payment made on a loan for which the liability has been discharged by such previous consolidation loan shall not be treated as a monthly payment on a portion of the subsequent Federal Direct Consolidation Loan made on or after such date of enactment.".
(e) Treatment of Double Benefits.-Section 455(m) of such Act is further amended in paragraph (7) (as so redesignated by subsection (c)) by striking "both this subsection and section 428J, 428K, 428L, or 460" and inserting "both this subsection and section 428 K or 428L".

SEC. 222. LOAN FORGIVENESS FOR TEACHERS.
The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is further amended-
(1) in section $428 \mathrm{~J}(\mathrm{~g})(2)$ (20 U.S.C. $1078-$ 10(g)(2))—
(A) in subparagraph (A), by inserting "or" after the semicolon at the end;
(B) by striking subparagraph (B); and
(C) by redesignating subparagraph (C) as subparagraph (B); and
(2) in section $460(\mathrm{~g})(2) \quad(20 \quad$ U.S.C. 1087j(g)(2))—
(A) in subparagraph (A), by inserting "or" after the semicolon at the end;
(B) by striking subparagraph (B); and
(C) by redesignating subparagraph (C) as subparagraph (B).

## TITLE III-INTEREST CAPITALIZATION

## SEC. 301. ELIMINATION OF INTEREST CAPITALIZATION.

(a) Federal PLUS Loans.-Section 428B(d)(2) of the Higher Education Act of 1965 (20 U.S.C. 1078$2(d)(2))$ is amended to read as follows:
"(2) No capitalization of interest.-Interest on loans made under this section for which payments of principal are deferred pursuant to para-
graph (1) shall be paid by the borrower and shall not be capitalized.".
(b) Federal Consolidation Loans Defer-rals.-Section 428C(b)(4)(C)(ii)(III) of the Higher Education Act of 1965 (20 U.S.C. 1078-3(b)(4)(C)(III)) is amended by striking "or capitalized,".
(c) Default Reduction Program.-Section $428 \mathrm{~F}(\mathrm{a})(1)(\mathrm{E})$ of such Act of 1965 (20 U.S.C. 1078$6(\mathrm{a})(1)(\mathrm{E})$ ) is amended to read as follows:
"(E) Duties upon assignment.-With respect to a loan assigned under subparagraph (A)(ii)-
"(i) the guaranty agency shall add to the principal and interest outstanding at the time of the assignment of such loan an amount equal to the amount described in subparagraph (D)(i)(II)(aa);
"(ii) the Secretary shall pay the guaranty agency, for deposit in the agency's Operating Fund established pursuant to section 422 B , an amount equal to the amount added to the principal and interest outstanding at the time of the assignment in accordance with clause (i);
"(iii) for a loan assigned on or after the date of enactment of the LOAN Act, the interest outstanding at the time of the assignment of such loan, and any interest accruing after such time, shall not be capitalized; and
"(iv) beginning on the date of enactment of LOAN Act, interest shall only accrue on the percentage of such a loan that is equal to-
"(I) the amount of the outstanding principal on the original loan on the date it was assigned; divided by
"(II) the total amount of such assigned loan, including interest outstanding at the time of the assignment of such loan and the amount added by the guaranty agency in accordance with clause (i), on the date such loan was assigned.".
(d) Loan Limits for Unsubsidized Stafford Loans.-Section $428 \mathrm{H}(\mathrm{d})(5)$ of the Higher Education Act of 1965 (20 U.S.C. $1078-8(\mathrm{~d})(5)$ ) is amended by in-
serting "before the date of enactment of the LOAN Act" after "Interest capitalized".
(e) Unsubsidized Stafford Loans for Middle Income Borrowers.-Section 428H(e)(2) of the Higher Education Act of 1965 (20 U.S.C. 1078-8(e)(2)) is amended-
(1) in the header, by striking "Capitalization" and inserting "No capitalization";
(2) in subparagraph (A), in the matter before clause (i), by striking ", if agreed upon by the borrower and the lender" and all that follows through clause (ii)(IV) and inserting "be paid by the borrower and shall not be capitalized.";
(3) by striking subparagraph (B); and
(4) by redesignating subparagraph (C) as subparagraph (B).
(f) Income Contingent Repayment.-Section 455(e)(5) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{e})(5)$ ) is amended by striking the last sentence and inserting "No interest may be capitalized on such loan on or after the date of the enactment of the LOAN Act, and the Secretary shall promulgate regulations with respect to the treatment of accrued interest that is not capitalized".
(g) Deferment and Forbearance.-
(1) In general.-Section 455(f) of the Higher Education Act of 1965 (20 U.S.C. 1087e(f)) is amended-
(A) in the subsection heading, by inserting at the end the following: "and Forbearance";
(B) in subparagraph (B), by striking "capitalized or"; and
(C) by adding at the end the following:
"(6) Forbearance.-At the expiration of a period of forbearance, interest shall not be capitalized on any loans made under this part.".
(2) Application of amendment.-The amendments made by paragraph (1) shall apply to any deferment or forbearance period in effect on the date of enactment of this Act, or any deferment or forbearance period beginning on or after such date of enactment.
(h) Income-Based Repayment Program.-Section 493C(b)(3) of the Higher Education Act of 1965 (20 U.S.C. $1098 \mathrm{e}(\mathrm{b})(3))$ is amended to read as follows:
"(3) on subsidized loans, any interest due and not paid under paragraph (2) shall be paid by the Secretary for a period of not more than 3 years after the date of the borrower's election under paragraph (1), except that such period shall not include
any period during which the borrower is in deferment due to an economic hardship described in section 435(o);".
(i) Notes and Insurance Certificates in Combined Payment Plans.-Section 485A(f) of the Higher Education Act of 1965 (20 U.S.C. 1092a(f)) is amended by adding at the end the following new paragraph:
"(3) Treatment of interest.-Not withstanding paragraphs (1) and (2), beginning on the date of enactment of the LOAN Act, interest on a loan reissued under subsection (e) shall not be capitalized, and interest shall only accrue on the percentage of such reissued loan that is equal to-
"(A) the amount of the outstanding principal on the original loan on the date it was reissued; divided by
"(B) the total amount of such reissued loan on the date such loan was reissued.".

## SEC. 302. ELIMINATION OF DISCLOSURE REQUIREMENTS

 RELATING TO CAPITALIZATION.(a) Insurance Program Agreements To Qualify Loans for Interest Subsidies.-Section 428(b)(1)(Y) of the Higher Education Act of 1965 (20 U.S.C. $1078(\mathrm{~b})(1)(\mathrm{Y}))$ is amended-
(1) in clause (i)(IV), by inserting "and" after the semicolon;
(2) in clause (ii), by striking "; and" and inserting a period; and
(3) by striking clause (iii).
(b) Forbearance.-Section 428(c)(3)(C) of such Act of 1965 (20 U.S.C. 1078(c)(3)(C)) is amended-
(1) in clause (ii), by inserting "and" after the semicolon; and
(2) by striking clauses (iii) and (iv) and inserting the following:
"(iii) the lender shall contact the borrower not less often than once every 180 days during the period of forbearance to inform the borrower of-
"(I) the amount of unpaid principal and the amount of interest that has accrued since the last statement of such amounts provided to the borrower by the lender;
"(II) the fact that interest will accrue on the loan for the period of forbearance;
"(III) the responsibility of the borrower to pay the interest that has accrued; and
"(IV) the borrower's option to discontinue the forbearance at any time; and".
(c) Required Disclosure Before Disburse-ment.-Section 433(a) of the Higher Education Act of 1965 (20 U.S.C. 1083(a)) is amended-
(1) by amending paragraph (6) to read as follows:
"(6) for loans made under section 428 H or to a student borrower under section 428B, an explanation that the borrower has the option to pay the interest that accrues on the loan while the borrower is a student at an institution of higher education;"; and
(2) in paragraph (7)-
(A) in subparagraph (A), by inserting "and" after the semicolon;
(B) by striking subparagraph (B); and
(C) by redesignating subparagraph (C) as subparagraph (B).
(d) Required Disclosure Before Repayment.Section 433(b)(3) of the Higher Education Act of 1965
(20 U.S.C. $1083(\mathrm{~b})(3))$ is amended by striking "(including, if applicable, the estimated amount of interest to be capitalized)".
(e) Speclal Disclosure Rules on PLUS Loans and Unsubsidized Loans.-Section 433(d) of the Higher Education Act of 1965 (20 U.S.C. 1083(d)) is amend-ed-
(1) in the matter preceding paragraph (1)-
(A) by striking "resulting from capitalization of interest"; and
(B) by striking "borrower of-" and inserting "borrower of paying the interest as the interest accrues."; and
(2) by striking paragraphs (1) and (2).
(f) Disclosure Required Prior to Perkins Re-payment.-Section $463 \mathrm{~A}(\mathrm{~b})(3)$ of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{cc}-1$ (b)(3)) is amended by striking "(including, if applicable, the estimated amount of interest to be capitalized)".
(g) Departmental Publication of Descriptions of Assistance Programs.-Section 485(d)(1) of the Higher Education Act of 1965 (20 U.S.C. 1092(d)(1)) is amended by striking ", including the increase in debt that results from capitalization of interest".
(h) Information To Be Provided During Entrance Counseling for Borrowers.-Section 485(1)(2)(C) of the Higher Education Act of 1965 (20 U.S.C. $1092(1)(2))$ is amended by striking "and is capitalized".

## TITLE IV-INTEREST RATES

## SEC. 401. INTEREST RATE PROVISIONS FOR NEW FEDERAL

 STUDENT LOANS ON OR AFTER JULY 1, 2023.Section 455(b) of the Higher Education Act of 1965 (20 U.S.C. $1087 \mathrm{e}(\mathrm{b})$ ) is amended-
(1) in paragraph (8)-
(A) in the paragraph heading, by inserting "AND BEFORE JULY 1, 2023"; and
(B) by inserting "and before July 1, 2023," after "July 1, 2013," each place it appears;
(2) by redesignating paragraphs (9) and (10) as paragraphs (10) and (11), respectively; and
(3) by inserting after paragraph (8) the following new paragraph:
"(9) Interest rate provisions for new LOANS ON OR AFTER JULY 1, 2023.-
"(A) Rate for fisl, fdusl, and plus Loans.-Notwithstanding the preceding paragraphs of this subsection, for Federal Direct

Stafford Loans, Federal Direct Unsubsidized Stafford Loans, and Federal Direct PLUS Loans, for which the first disbursement is made on or after July 1, 2023, the applicable rate of interest shall, for loans disbursed during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to the lesser of-
"(i) a rate equal to the high yield of the 10 -year Treasury note auctioned at the final auction held prior to such June 1; or
"(ii) 5.0 percent.
"(B) Consolidation loans.-Notwithstanding the preceding paragraphs of this subsection, any Federal Direct Consolidation Loan for which the application is received on or after July 1, 2023, shall-
"(i) bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of-
"(I) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent; or
"(II) 5.0 percent; and
"(ii) only accrue interest on the percentage of such Federal Direct Consolidation Loan that is equal to-
"(I) the amount of the sum of the unpaid principal on the loans consolidated; divided by
"(II) the total amount of such Federal Direct Consolidation Loan.
"(C) Consultation.-The Secretary shall determine the applicable rate of interest under this paragraph after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.
"(D) Fixed Rate.-The applicable rate of interest determined under this paragraph for a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan shall be fixed for the period of the loan.". SEC. 402. REFINANCING FFEL AND FEDERAL DIRECT LOANS.

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

## "SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT

 LOANS."(a) In General.-The Secretary shall establish a program under which the Secretary, upon the receipt of an application from a qualified borrower, makes a loan under this part, in accordance with the provisions of this section, in order to permit the borrower to obtain the interest rate provided under subsection (c).
"(b) Refinancing Direct Loans.-
"(1) Federal direct loans.-Upon application of a qualified borrower, the Secretary shall repay a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan of the qualified borrower, for which the first disbursement was made, or the application for the consolidation loan was received, before July 1, 2023, with the proceeds of a refinanced Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan, respectively, issued to the borrower in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the original loan.
"(2) Refinancing ffel program loans as refinanced federal direct loans.-Upon ap-
plication of a qualified borrower for any loan that was made, insured, or guaranteed under part B and for which the first disbursement was made, or the application for the consolidation loan was received, before July 1, 2010, the Secretary shall make a loan under this part, in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the original loan to the borrower in accordance with the following:
"(A) The Secretary shall pay the proceeds of such loan to the eligible lender of the loan made, insured, or guaranteed under part B , in order to discharge the borrower from any remaining obligation to the lender with respect to the original loan.
"(B) A loan made under this section that was originally-
"(i) a loan originally made, insured, or guaranteed under section 428 shall be a Federal Direct Stafford Loan;
"(ii) a loan originally made, insured, or guaranteed under section 428B shall be a Federal Direct PLUS Loan;
"(iii) a loan originally made, insured, or guaranteed under section 428 H shall be
a Federal Direct Unsubsidized Stafford Loan; and
"(iv) a loan originally made, insured, or guaranteed under section 428 C shall be a Federal Direct Consolidation Loan.
"(C) The interest rate for each loan made by the Secretary under this paragraph shall be the rate provided under subsection (c).
"(c) Interest Rates.-
"(1) In general.-The interest rate for the refinanced Federal Direct Stafford Loans, Federal Direct Unsubsidized Stafford Loans, Federal Direct PLUS Loans, and Federal Direct Consolidation Loans, shall be a rate equal to-
"(A) in any case where the original loan was a loan under section $428,428 \mathrm{~B}, 428 \mathrm{H}$, a Federal Direct Stafford loan, a Federal Direct Unsubsidized Stafford Loan, or a Federal Direct PLUS Loan, a rate equal to the interest rate determined under section 455(b)(9)(A) for the date on which the refinanced loan is made; and
"(B) in any case where the original loan was a loan under section 428C or a Federal Di-
rect Consolidation Loan, a rate calculated in accordance with paragraph (2).
"(2) Interest rates for consolidation
LOANS.-
"(A) Method of calculation.-In order to determine the interest rate for any refinanced Federal Direct Consolidation Loan under paragraph (1)(B), the Secretary shall-
"(i) determine each of the component loans that were originally consolidated in the loan under section 428C or the Federal Direct Consolidation Loan, and calculate the proportion of the unpaid principal balance of the loan under section 428C or the Federal Direct Consolidation Loan that each component loan represents;
"(ii) use the proportions determined in accordance with clause (i) and the interest rate applicable for each component loan, as determined under subparagraph (B), to calculate the weighted average of the interest rates on the loans consolidated into the loan under section 428C or the Federal Direct Consolidation Loan; and
"(iii) make the applicable interest rate for the refinanced Federal Direct Consolidation Loan the lesser of-
"(I) the weighted average calculated under clause (ii); or
"(II) 5.0 percent.
"(B) Interest rates for Component LOANS.-The interest rates for the component loans of a loan made under section 428C or a Federal Direct Consolidation Loan shall be the following:
"(i) The interest rate for any loan under section 428, 428B, 428H, Federal Direct Stafford Loan, Federal Direct Unsubsidized Stafford Loan, or Federal Direct PLUS Loan shall be a rate equal to the lesser of-
"(I) the interest rate determined under section $455(\mathrm{~b})(9)(\mathrm{A})$ for the date on which the component loan is made; or
"(II) the original interest rate of the component loan.
"(ii) The interest rate for any component loan that is a loan under section

428 C or a Federal Direct Consolidation Loan shall be the lesser of-
"(I) the weighted average of the interest rates that would apply under this subparagraph for each loan comprising the component consolidation loan; or
"(II) 5 percent.
"(iii) The interest rate for any eligible loan that is a component of a loan made under section 428C or a Federal Direct Consolidation Loan and is not described in clauses (i) or (ii) shall be the lesser of-
"(I) the interest rate on the original component loan; or
"(II) 5 percent.
"(3) Fixed rate.-The applicable rate of interest determined under paragraph (1) for a refinanced loan under this section shall be fixed for the period of the loan.
"(4) Capitalized interest and fees ex-CLUDED.-With respect to a refinanced loan under this section, interest shall only accrue on the percentage of such refinanced loan that is equal to-
"(A) the amount of the unpaid principal of the original loan, or in the case of a refinanced Federal Direct Consolidation Loan, the sum of the unpaid principal of all the component loans, comprising the refinanced loan; divided by
"(B) the total amount of such refinanced loan.
"(d) Terms and Conditions of Loans.-
"(1) In general.-A loan that is refinanced under this section shall have the same terms and conditions as the original loan, except as otherwise provided in this section.
"(2) No automatic extension of repayment period.-Refinancing a loan under this section shall not result in the extension of the duration of the repayment period of the loan, and the borrower shall retain the same repayment term that was in effect on the original loan. Nothing in this paragraph shall be construed to prevent a borrower from electing a different repayment plan at any time in accordance with section 455(d)(4).
"(e) Definition of Qualified Borrower.-For purposes of this section, the term 'qualified borrower' means a borrower-
"(1) of a loan under this part or part B for which the first disbursement was made, or the application for a consolidation loan was received, before July 1, 2023; and
"(2) who has one or more loans described in paragraph (1) or (2) of subsection (b) with an interest rate that exceeds 5 percent.
"(f) Notification to Borrowers.-The Secretary, in coordination with the Director of the Bureau of Consumer Financial Protection, shall undertake a campaign to alert borrowers of loans that are eligible for refinancing under this section that the borrowers are eligible to apply for such refinancing. The campaign shall include the following activities:
"(1) Developing consumer information materials about the availability of Federal student loan refinancing.
"(2) Requiring servicers of loans under this part or part B to provide such consumer information to borrowers in a manner determined appropriate by the Secretary, in consultation with the Director of the Bureau of Consumer Financial Protection.".

## SEC. 403. REFINANCING PRIVATE STUDENT LOANS.

Part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) is amended by adding at the end the following: "SEC. 460B. FEDERAL DIRECT REFINANCED PRIVATE LOAN PROGRAM.
"(a) Definitions.-In this section:
"(1) Eligible private education loan.The term 'eligible private education loan' means a private education loan, as defined in section 140(a) of the Truth in Lending Act (15 U.S.C. 1650(a)), that-
"(A) was disbursed to the borrower before July 1, 2023; and
"(B) was for the borrower's own postsecondary educational expenses for an eligible program at an institution of higher education participating in the loan program under this part, as of the date that the loan was disbursed.
"(2) Federal direct refinanced private Loan.-The term 'Federal Direct Refinanced Private Loan' means a loan issued under subsection (b)(1).
"(3) Private educational Lender.-The term 'private educational lender' has the meaning
given the term in section 140(a) of the Truth in Lending Act (15 U.S.C. 1650(a)).
"(4) Qualified borrower.-The term 'qualified borrower' means an individual who-
"(A) has an eligible private education loan;
"(B) has been current on payments on the eligible private education loan for the 6 months prior to the date of the qualified borrower's application for refinancing under this section, and is in good standing on the loan at the time of such application;
"(C) is not in default on the eligible private education loan or on any loan made, insured, or guaranteed under this part or part B or E; and
"(D) meets the eligibility requirements described in subsection (b)(2).
"(b) Program Authorized.-
"(1) In general.-The Secretary, in consultation with the Secretary of the Treasury, shall carry out a program under which the Secretary, upon application by a qualified borrower who has an eligible private education loan, shall issue such borrower a loan under this part in accordance with the following:
"(A) The loan issued under this program shall be in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the private education loan.
"(B) The Secretary shall pay the proceeds of the loan issued under this program to the private educational lender of the private education loan, in order to discharge the qualified borrower from any remaining obligation to the lender with respect to the original loan.
"(C) The Secretary shall require that the qualified borrower undergo loan counseling that provides all of the relevant information and counseling required under section $485(1)(2)$ before the loan is refinanced in accordance with this section, and before the proceeds of such loan are paid to the private educational lender.
"(D) The Secretary shall issue the loan as a Federal Direct Refinanced Private Loan, which shall have the same terms, conditions, and benefits as a Federal Direct Unsubsidized Stafford Loan, except as otherwise provided in this section.
"(E) The interest rate for each loan made by the Secretary under this section shall be the rate provided under subsection (c).
"(2) Borrower eligibility.—The Secretary, in consultation with the Secretary of the Treasury and the Director of the Consumer Financial Protection Bureau, shall establish eligibility require-ments-
"(A) to ensure eligibility only for borrowers in good standing;
"(B) to minimize inequities between Federal Direct Refinanced Private Loans and other Federal student loans;
"(C) to preclude windfall profits for private educational lenders; and
"(D) to ensure full access to the program authorized in this subsection for borrowers with private loans who otherwise meet the criteria established in accordance with subparagraph (A).
"(c) Interest Rate.-
"(1) In general.-The interest rate for a Federal Direct Refinanced Private Loan is a rate equal to the interest rate determined under section

455(b)(9)(A) for the date on which the refinanced private loan is made.
"(2) Fixed Rate.-The interest rate determined under this subsection for a Federal Direct Refinanced Private Loan shall be fixed for the period of the loan.
"(3) Capitalized interest and fees ex-cluded.-With respect to a Federal Direct Refinanced Private Loan under this section, interest shall only accrue on the percentage of such Refinanced Private Loan that is equal to-
"(A) the amount of the unpaid principal of the original loan comprising the Refinanced Private Loan on the date such original loan was refinanced; divided by
"(B) the total amount of such Refinanced Private Loan.
"(d) No Inclusion in Aggregate Limits.-The amount of a Federal Direct Refinanced Private Loan, or a Federal Direct Consolidated Loan to the extent such loan was used to repay a Federal Direct Refinanced Private Loan, shall not be included in calculating a borrower's annual or aggregate loan limits under section 428 or 428 H .
"(e) No Eligibility for Service-Related Re-payment.-A Federal Direct Refinanced Private Loan, or any Federal Direct Consolidation Loan to the extent such loan was used to repay a Federal Direct Refinanced Private Loan, shall not be eligible for any loan repayment or loan forgiveness program under section $428 \mathrm{~K}, 428 \mathrm{~L}$, or 460 or for the loan cancellation repayment plan for public service employees under section $455(\mathrm{~m})$.
"(f) Private Educational Lender Reporting Requirement.-
"(1) Reporting Required.-The Secretary, in consultation with the Secretary of the Treasury and the Director of the Bureau of Consumer Financial Protection, shall establish a requirement that, in order to allow for an assessment of the private education loan market, private educational lenders report the data described in paragraph (2) to-
"(A) the Secretary;
"(B) the Secretary of the Treasury;
"(C) the Director of the Consumer Financial Protection Bureau;
"(D) the Committee on Education and Labor of the House of Representatives;
"(E) the Committee on Financial Services of the House of Representatives;
"(F) the Senate Committee on Health, Education, Labor, and Pensions; and
"(G) the Senate Committee on Banking, Housing, and Urban Affairs.
"(2) Contents of reporting.-The data that private educational lenders shall report in accordance with paragraph (1) shall include each of the following about private education loans (as defined in section 140(a) of the Truth in Lending Act (15 U.S.C. 1650(a))):
"(A) The total amount of private education loan debt the lender holds.
"(B) The total number of private education loan borrowers the lender serves.
"(C) The average interest rate on the outstanding private education loan debt held by the lender.
"(D) The proportion of private education loan borrowers who are in default on a loan held by the lender.
"(E) The proportion of the outstanding private education loan volume held by the lender that is in default.
"(F) The proportions of outstanding private education loan borrowers who are 30,60 , and 90 days delinquent.
"(G) The proportions of outstanding private education loan volume that is 30,60 , and 90 days delinquent.
"(g) Notification to Borrowers.-The Secretary, in coordination with the Secretary of the Treasury and the Director of the Consumer Financial Protection Bureau, shall undertake a campaign to alert borrowers about the availability of private student loan refinancing under this section.".

