

118TH CONGRESS  
1ST SESSION

# S. 2557

To amend the Higher Education Act of 1965 to eliminate interest on student loans, establish the Education Affordability Trust Fund, increase annual and aggregate loan limits, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JULY 27, 2023

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

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## A BILL

To amend the Higher Education Act of 1965 to eliminate interest on student loans, establish the Education Affordability Trust Fund, increase annual and aggregate loan limits, 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; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Student Loan Interest Elimination Act”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—LOAN MODIFICATION AND REFINANCING FOR EXISTING  
FEDERAL STUDENT LOANS

Sec. 101. Program authority.

Sec. 102. Program for the loan modification of eligible Federal Direct loans,  
and refinancing of other Federal student loan.

TITLE II—TERMS AND CONDITIONS FOR NEW FEDERAL  
STUDENT LOANS

Sec. 201. Applicable rates of interest for loans made on or after July 1, 2024.

Sec. 202. Termination of interest subsidized loans.

Sec. 203. Annual and aggregate loan limits.

TITLE III—TRUST FUND

Sec. 301. Supplemental Federal Pell Grant Program.

Sec. 302. Use of funds from the repayment of Federal student loans.

Sec. 303. Education Affordability Trust Fund.

TITLE IV—GENERAL PROVISIONS

Sec. 401. Implementation.

1 **TITLE I—LOAN MODIFICATION**  
2 **AND REFINANCING FOR EX-**  
3 **ISTING FEDERAL STUDENT**  
4 **LOANS**

5 **SEC. 101. PROGRAM AUTHORITY.**

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

8 (1) by striking “There are hereby made avail-  
9 able” and inserting “After using funds available  
10 from the Education Affordability Trust Fund in ac-  
11 cordance with section 494A, there are hereby made  
12 available”;

13 (2) by striking “and (2)” and inserting “(2)”;  
14 and

1           (3) by inserting “; and (3) to make loans under  
2           section 460A(b)” after “section 459A”.

3 **SEC. 102. PROGRAM FOR THE LOAN MODIFICATION OF ELI-**  
4 **GIBLE FEDERAL DIRECT LOANS, AND REFI-**  
5 **NANCING OF OTHER FEDERAL STUDENT**  
6 **LOANS.**

7           (a) LOAN MODIFICATION AND REFINANCING.—Part  
8 D of title IV of the Higher Education Act of 1965 (20  
9 U.S.C. 1087a et seq.) is amended by adding at the end  
10 the following:

11 **“SEC. 460A. PROGRAM FOR THE LOAN MODIFICATION OF**  
12 **ELIGIBLE FEDERAL DIRECT LOANS, AND RE-**  
13 **FINANCING OF OTHER FEDERAL STUDENT**  
14 **LOANS.**

15           “(a) FEDERAL DIRECT LOAN MODIFICATION.—The  
16 Secretary shall establish and implement, with respect to  
17 each borrower of an eligible Federal direct loan, proce-  
18 dures to—

19           “(1) modify, without any action from the bor-  
20 rower, the terms of such loan so that beginning on  
21 July 1, 2024, no interest shall accrue on such loan;  
22 and

23           “(2) allow the borrower, at any time, to opt out  
24 of the loan modification under paragraph (1) for  
25 such loan.

1       “(b) REFINANCING ELIGIBLE NON-FEDERAL DI-  
2 RECT LOANS AS FEDERAL DIRECT CONSOLIDATION  
3 LOANS.—

4           “(1) IN GENERAL.—The Secretary shall estab-  
5 lish and implement, with respect to each borrower of  
6 an eligible non-Federal direct loan, procedures to—

7           “(A) refinance such loan in accordance  
8 with procedures listed in paragraph (2); and

9           “(B) allow the borrower, at any time, to  
10 opt out of the loan refinancing under subpara-  
11 graph (A) for such loan.

12       “(2) PROCEDURES.—In refinancing an eligible  
13 non-Federal direct loan with respect to a borrower  
14 of such loan, the Secretary shall carry out the fol-  
15 lowing:

16           “(A) The Secretary shall make a Federal  
17 Direct Consolidation Loan under this sub-  
18 section, in an amount equal to the sum of the  
19 unpaid principal, accrued unpaid interest, and  
20 late charges of the eligible non-Federal direct  
21 loan.

22           “(B) The Secretary shall pay the proceeds  
23 of such Federal Direct Consolidation Loan to  
24 the holder of the eligible non-Federal direct  
25 loan, in order to discharge the borrower from

1 any remaining obligation with respect to such  
2 eligible non-Federal direct loan.

3 “(3) TERMS AND CONDITIONS OF REFINANCED  
4 LOANS.—

5 “(A) IN GENERAL.—A Federal Direct Con-  
6 solidation Loan made under this subsection  
7 shall have the same terms and conditions as a  
8 Federal Direct Consolidation Loan that was not  
9 made under this subsection, except—

10 “(i) that the Secretary may adjust  
11 such terms and conditions as necessary to  
12 enable the borrower to access loan forgive-  
13 ness or other benefits available to the bor-  
14 rower under the loan before refinancing  
15 under this subsection, in any case where  
16 such benefits are more generous than pro-  
17 vided under a Federal Direct Consolidation  
18 Loan; and

19 “(ii) as otherwise provided in this sub-  
20 section.

21 “(B) NO ORIGINATION FEES.—Notwith-  
22 standing section 455(c), the Secretary may not  
23 charge a borrower of a loan made under this  
24 subsection an origination fee for such loan.

1           “(C) INTEREST RATES.—No interest shall  
2 accrue on a loan that is made under this sub-  
3 section.

4           “(D) NO AUTOMATIC EXTENSION OF RE-  
5 PAYMENT PERIOD.—A loan made under this  
6 subsection shall not result in the extension of  
7 the duration of the repayment period of the  
8 original loan, and the borrower shall retain the  
9 same repayment term that was in effect on the  
10 original loan. Nothing in this paragraph shall  
11 be construed to prevent a borrower from elect-  
12 ing a different repayment plan at any time in  
13 accordance with section 455(d)(3).

14           “(E) RULE OF CONSTRUCTION.—Nothing  
15 in this section shall be construed to prevent a  
16 borrower of a Federal student loan described in  
17 subparagraph (B) or (C) of subsection (d)(2)  
18 from consolidating such loans with other loans  
19 eligible for consolidation under this section, or  
20 to require such a borrower to consolidate such  
21 loans with other Federal student loans into a  
22 single consolidation loan under this section.

23           “(c) REPORT.—Not later than 1 year after the date  
24 of the enactment of Student Loan Interest Elimination  
25 Act, and on an annual basis thereafter, the Secretary shall

1 submit a report to the authorizing committees that in-  
2 cludes—

3 “(1) the total number of borrowers whose loans  
4 have been modified or refinanced under this section  
5 during the preceding year; and

6 “(2) the number of such borrowers who are de-  
7 linquent in making payments on such a loan.

8 “(d) DEFINITIONS.—In this section:

9 “(1) ELIGIBLE FEDERAL DIRECT LOAN.—The  
10 term ‘eligible Federal direct loan’ means—

11 “(A) a loan made under this part, and first  
12 disbursed before July 1, 2024;

13 “(B) a loan made, insured, or guaranteed  
14 under part B, and which is held by the Sec-  
15 retary;

16 “(C) a loan made under part E, and which  
17 is held by the Secretary; or

18 “(D) a loan made under subpart 1 of part  
19 A of title VII of the Public Health Service Act  
20 (42 U.S.C. 292 et seq.), and which is held by  
21 the Secretary.

22 “(2) ELIGIBLE NON-FEDERAL DIRECT LOAN.—  
23 The term ‘eligible non-Federal direct loan’ means a  
24 loan—

1           “(A) made, insured, or guaranteed under  
2 part B, and which is not held by the Secretary;

3           “(B) made under part E, and which is not  
4 held by the Secretary; or

5           “(C) made under—

6                 “(i) subpart I of part A of title VII of  
7 the Public Health Service Act (42 U.S.C.  
8 292 et seq.), and which is not held by the  
9 Secretary;

10                “(ii) subpart II of part A of title VII  
11 of the Public Health Service Act (42  
12 U.S.C. 292q et seq.), and in the case of a  
13 loan made under section 723 of such Act  
14 (42 U.S.C. 292s), only if the borrower of  
15 the loan has completed the full period of  
16 service, practice, or training that was im-  
17 posed as a condition on receipt of such  
18 loan; or

19                “(iii) part E of title VIII of the Public  
20 Health Service Act (42 U.S.C. 297a et  
21 seq.), and in the case of a loan made under  
22 section 846A of such Act (42 U.S.C.  
23 297n-1), only if the borrower has com-  
24 pleted the 4-years of full-time employment  
25 as a faculty member at a school of nursing



1 as described in subsection (c)(3) of such  
2 section 846A.

3 “(3) ORIGINAL LOAN.—The term ‘original  
4 loan’, used with respect to a Federal Direct Consoli-  
5 dation Loan made under subsection (b), means a  
6 loan for which a borrower’s liability is discharged by  
7 such Federal Direct Consolidation Loan.”.

8 (b) INCOME-CONTINGENT REPAYMENT.—Section  
9 455(e) of the Higher Education Act of 1965 (20 U.S.C.  
10 1087e(e)) is amended by adding at the end the following  
11 new paragraph:

12 “(9) SPECIAL RULE FOR REFINANCED  
13 LOANS.—For purposes of paragraph (7), the period  
14 of time during which a borrower of a Federal Direct  
15 Consolidation Loan made under section 460A(b) has  
16 made monthly payments shall be calculated in the  
17 manner described in section 493C(f).”.

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

21 “(f) SPECIAL RULE FOR REFINANCED LOANS.—

22 “(1) REFINANCED FEDERAL DIRECT CONSOLI-  
23 DATION LOANS.—In calculating the period of time  
24 during which a borrower of a Federal Direct Con-  
25 solidation Loan that is made under section 460A(b)

1 has made monthly payments for the purposes of sub-  
2 section (b)(7), the Secretary shall—

3 “(A) review the borrower’s payment his-  
4 tory to identify each component loan of such  
5 Federal Direct Consolidation Loan;

6 “(B) for each such component loan—

7 “(i) calculate the weighted factor of  
8 the component loan, which shall be the fac-  
9 tor that represents the portion of such  
10 Federal Direct Consolidation Loan that is  
11 attributable to such component loan; and

12 “(ii) determine the number of quali-  
13 fying monthly payments made on such  
14 component loan before consolidation;

15 “(C) calculate the number of qualifying  
16 monthly payments determined under subpara-  
17 graph (B)(ii) with respect to a component loan  
18 that shall be deemed as qualifying monthly pay-  
19 ments made on the Federal Direct Consolida-  
20 tion Loan by multiplying—

21 “(i) the weighted factor of such com-  
22 ponent loan as determined under subpara-  
23 graph (B)(i); by

24 “(ii) the number of qualifying monthly  
25 payments made on such component loan as

1           determined under subparagraph (B)(ii);  
2           and

3           “(D) calculate and inform the borrower of  
4           the total number of qualifying monthly pay-  
5           ments with respect to the component loans of  
6           the Federal Direct Consolidation Loan that  
7           shall be deemed as qualifying monthly payments  
8           made on the refinanced Federal Consolidation  
9           Loan, by—

10                   “(i) adding together the result of each  
11                   calculation made under subparagraph (C)  
12                   with respect to each such component loan;  
13                   and

14                   “(ii) rounding the number determined  
15                   under clause (i) to the nearest whole num-  
16                   ber.

17           “(2) COMPONENT LOAN DEFINED.—In this  
18           subsection, the term ‘component loan’, used with re-  
19           spect to a Federal Direct Consolidation Loan, means  
20           a loan for which the liability was discharged by the  
21           proceeds of such Federal Direct Consolidation  
22           Loan.”.

23           (d) CONFORMING AMENDMENTS.—The Higher Edu-  
24           cation Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

1 (1) in section 428C(a)(3)(B)(i)(V) (20 U.S.C.  
2 1078–3(3)(B)(i)(V))—

3 (A) by striking the period at the end of  
4 item (cc) and inserting a semicolon;

5 (B) by striking the period at the end of  
6 item (dd) and inserting “; or”; and

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

8 “(ee) for the purpose of ob-  
9 taining a Federal Direct Consoli-  
10 dation Loan under section  
11 460A(b).”.

12 **TITLE II—TERMS AND CONDI-**  
13 **TIONS FOR NEW FEDERAL**  
14 **STUDENT LOANS**

15 **SEC. 201. APPLICABLE RATES OF INTEREST FOR LOANS**

16 **MADE ON OR AFTER JULY 1, 2024.**

17 Section 455(b)(8) of the Higher Education Act of  
18 1965 (20 U.S.C. 1087e(b)(8)) is amended—

19 (1) in the paragraph heading, by inserting  
20 “AND BEFORE JULY 1, 2024” after “JULY 1, 2013”;

21 (2) in subparagraph (A), by inserting “and be-  
22 fore July 1, 2024” after “July 1, 2013”;

23 (3) in subparagraph (B), by inserting “and be-  
24 fore July 1, 2024” after “July 1, 2013”;

1           (4) in subparagraph (C), by inserting “and be-  
2 fore July 1, 2024” after “July 1, 2013”;

3           (5) in subparagraph (D), by inserting “and be-  
4 fore July 1, 2024” after “July 1, 2013”;

5           (6) by redesignating subparagraph (F) as sub-  
6 paragraph (G); and

7           (7) by inserting after subparagraph (E) the fol-  
8 lowing:

9                   “(F) NEW LOANS ON OR AFTER JULY 1,  
10                   2024.—

11                   “(i) IN GENERAL.—Notwithstanding  
12 the preceding subparagraphs of this para-  
13 graph, for Federal Direct Unsubsidized  
14 Stafford Loans, Federal Direct PLUS  
15 Loans, and Federal Direct Consolidation  
16 Loans for which the first disbursement is  
17 made, or the application is received, on or  
18 after July 1, 2024, the applicable rate of  
19 interest shall be as follows:

20                   “(I) ZERO PERCENT.—For a  
21 loan that is disbursed to a borrower  
22 with a total adjusted available income  
23 (as determined for the most recent  
24 award year for which data is avail-  
25 able) that is not more than 400 per-

1 cent of the applicable area median in-  
2 come, 0 percent on the unpaid prin-  
3 cipal balance of the loan.

4 “(II) ONE PERCENT.—For a loan  
5 that is disbursed to a borrower with a  
6 total adjusted available income (as de-  
7 termined for the most recent award  
8 year for which data is available) that  
9 is more than 400 percent of the appli-  
10 cable area median income, but not  
11 more than 500 percent of such appli-  
12 cable median income, 1 percent on the  
13 unpaid principal balance of the loan.

14 “(III) TWO PERCENT.—For a  
15 loan that is disbursed to a borrower  
16 with a total adjusted available income  
17 (as determined for the most recent  
18 award year for which data is avail-  
19 able) that is more than 500 percent of  
20 the applicable area median income,  
21 but not more than 600 percent of  
22 such applicable median income, 2 per-  
23 cent on the unpaid principal balance  
24 of the loan.

1                   “(IV) THREE PERCENT.—For a  
2                   loan that is disbursed to a borrower  
3                   with a total adjusted available income  
4                   (as determined for the most recent  
5                   award year for which data is avail-  
6                   able) that is more than 600 percent of  
7                   the applicable area median income,  
8                   but not more than 700 percent of  
9                   such applicable median income, 3 per-  
10                  cent on the unpaid principal balance  
11                  of the loan.

12                  “(V) FOUR PERCENT.—For a  
13                  loan that is disbursed to a borrower  
14                  with a total adjusted available income  
15                  (as determined for the most recent  
16                  award year for which data is avail-  
17                  able) that is more than 700 percent of  
18                  the applicable area median income, 4  
19                  percent on the unpaid principal bal-  
20                  ance of the loan.

21                  “(ii) APPLICABLE AREA MEDIAN IN-  
22                  COME.—The term ‘applicable area median  
23                  income’—

24                         “(I) when used with respect to  
25                         an independent student, means the

1 area median income for the area in  
2 which the student resides; and

3 “(II) when used with respect to a  
4 dependent student, means—

5 “(aa) except as otherwise  
6 specified in items (bb) through  
7 (ee), the area median income for  
8 the area in which the parents of  
9 the student reside;

10 “(bb) in a case in which the  
11 parents of the student are di-  
12 vorced or living in different  
13 areas, the area median income  
14 for the area of the parent who  
15 provides the greater portion of  
16 the student’s financial support,  
17 as determined based on criteria  
18 described in section 475(f);

19 “(cc) in a case in which one  
20 parent has died, the area median  
21 income for the area of the sur-  
22 viving parent;

23 “(dd) in a case in which  
24 both parents have died, the area



1 median income for the area in  
2 which the student resides; and

3 “(ee) in a case in which a  
4 parent has remarried, the loca-  
5 tion of that parent’s spouse (if  
6 different from the location of the  
7 remarried parent) has no impact  
8 on the determination of area me-  
9 dian income under this subclause.

10 “(iii) AREA MEDIAN INCOME.—The  
11 term ‘area median income’ means the me-  
12 dian family income for an area, as deter-  
13 mined for purposes of the United States  
14 Housing Act of 1937 (42 U.S.C. 1437 et  
15 seq.).

16 “(iv) TOTAL ADJUSTED AVAILABLE  
17 INCOME DEFINED.—The term ‘total ad-  
18 justed available income’, for purposes of  
19 award year 2024–2025, and each subse-  
20 quent award year—

21 “(I) when used with respect to a  
22 dependent student, means the amount  
23 equal to, with respect to such student,  
24 the sum of—

1           “(aa) the assessment of par-  
2           ents’ adjusted available income  
3           computed under section  
4           475(b)(1);

5           “(bb) the student’s total in-  
6           come (determined in accordance  
7           with section 480); and

8           “(cc) the student’s assets  
9           computed under section 475(h);

10          “(II) when used with respect to  
11          an independent student without de-  
12          pendents, means the amount equal to,  
13          with respect to such student, the sum  
14          of—

15               “(aa) the family’s available  
16               income computed under section  
17               476(b)(1)(A); and

18               “(bb) the family’s available  
19               assets computed under section  
20               476(c)(1); and

21          “(III) when used with respect to  
22          an independent student with depend-  
23          ents, means the amount equal to, with  
24          respect to such student, the adjusted

1 available income computed under sec-  
2 tion 477(a)(1)(A).”.

3 **SEC. 202. TERMINATION OF INTEREST SUBSIDIZED LOANS.**

4 (a) PROGRAM AUTHORITY.—Section 451(a) of the  
5 Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is  
6 amended by adding at the end the following: “No new  
7 Federal Direct Stafford Loans, as referenced under sec-  
8 tion 455(a)(2)(A), may be made under this part after  
9 June 30, 2024, and no funds are authorized to be appro-  
10 priated, or may be expended, under this Act or any other  
11 Act to make such Federal Direct Stafford Loans for which  
12 the first disbursement is after June 30, 2024.”.

13 (b) TERMINATION OF AUTHORITY.—Section 455(a)  
14 of the Higher Education Act of 1965 (20 U.S.C.  
15 1087e(a)) is amended by adding at the end the following:

16 “(4) TERMINATION OF AUTHORITY TO MAKE  
17 INTEREST SUBSIDIZED LOANS TO ANY STUDENT.—  
18 Notwithstanding any provision of this part or part  
19 B, for any period of instruction beginning on or  
20 after July 1, 2024—

21 “(A) a student shall not be eligible to re-  
22 ceive a Federal Direct Stafford loan under this  
23 part; and

24 “(B) the maximum annual amount of Fed-  
25 eral Direct Unsubsidized Stafford loans such a

1 student may borrow in any academic year (as  
 2 defined in section 481(a)(2)) or its equivalent  
 3 shall be the maximum annual amount for such  
 4 student determined under section 428H, plus  
 5 an amount equal to the amount of Federal Di-  
 6 rect Stafford loans the student would have re-  
 7 ceived in the absence of this paragraph.”.

8 **SEC. 203. ANNUAL AND AGGREGATE LOAN LIMITS.**

9 Section 455(a) of the Higher Education Act of 1965  
 10 (20 U.S.C. 1087e(a)) is further amended by adding at the  
 11 end the following:

12 “(5) ANNUAL AND AGGREGATE LOAN LIMITS.—

13 “(A) IN GENERAL.—Subject to subpara-  
 14 graph (B), for academic year 2024–2025 and  
 15 each succeeding academic year, section 428H(d)  
 16 shall be applied—

17 “(i) in paragraph (2)(A)—

18 “(I) in clause (i), by substituting  
 19 ‘\$14,550’ for ‘\$12,000’; and

20 “(II) in clause (ii)—

21 “(aa) in subclause (I), by  
 22 substituting ‘\$8,250’ for  
 23 ‘\$7,000’; and

1 “(bb) in subclause (II), by  
2 substituting ‘\$8,250’ for  
3 ‘\$7,000’; and

4 “(ii) in paragraph (3)—

5 “(I) in subparagraph (A), by  
6 substituting ‘\$2,550, in the case of a  
7 student described in clause (i) of sec-  
8 tion 428(b)(1)(A), \$2,650, in the case  
9 of a student described in clause (ii) of  
10 such section, and \$2,750, in the case  
11 of a student described in clause (iii) of  
12 such section’ for ‘\$2,000’; and

13 “(II) in subparagraph (B), by  
14 substituting ‘\$34,100’ for ‘\$31,000’;

15 “(iii) in paragraph (4)—

16 “(I) in subparagraph (A)—

17 “(aa) in clause (i)(I), by  
18 substituting ‘\$6,950 for the first  
19 year such year and \$7,050 for  
20 the second such year’ for  
21 ‘\$6,000’;

22 “(bb) in clause (ii)(I), by  
23 substituting ‘\$8,250’ for  
24 ‘\$7,000’; and

25 “(cc) in clause (iii)—

1                   “(AA) in subclause (I),  
2                   by substituting “\$6,850’ for  
3                   ‘\$6,000’; and

4                   “(BB) in subclause  
5                   (II), by substituting ‘\$7,962’  
6                   for ‘\$7,000’; and

7                   “(II) in subparagraph (B), by  
8                   substituting ‘\$63,250’ for ‘\$57,500’.

9                   “(B) ADJUSTMENT FOR INFLATION.—

10                   “(i) IN GENERAL.—Each amount  
11                   specified in subparagraph (A) for academic  
12                   year 2025–2026 and each succeeding aca-  
13                   demic year shall be deemed increased by a  
14                   percentage equal to the annual adjustment  
15                   percentage.

16                   “(ii) ANNUAL ADJUSTMENT PERCENT-  
17                   AGE DEFINED.—In this subparagraph, the  
18                   term ‘annual adjustment percentage’, as  
19                   applied to an academic year, means the es-  
20                   timated percentage change in the Con-  
21                   sumer Price Index (as determined by the  
22                   Secretary, using the definition in section  
23                   478(f) or the most recent calendar year  
24                   ending prior to the beginning of that aca-  
25                   demic year).”.

**TITLE III—TRUST FUND****SEC. 301. SUPPLEMENTAL FEDERAL PELL GRANT PROGRAM.**

Section 401(b) of the Higher Education Act of 1965 (20 U.S.C. 1070a(b)), as amended by section 703 of the FAFSA Simplification Act (title VII of division FF of Public Law 116–260) and the FAFSA Simplification Act Technical Corrections Act (Public Law 117–103), is further amended by adding at the end the following:

“(10) SUPPLEMENTAL PELL GRANTS USING EXCESS TRUST FUND AMOUNTS.—For any award year for which the Secretary elects to use the excess amounts (or a portion of such excess amounts) described in section 494A(c) to carry out a Supplemental Pell Grant Program under this paragraph, the Secretary shall—

“(A) award each student that receives a Federal Pell grant under this subpart for such award year, an additional Federal Pell Grant in an amount that—

“(i) bears the same relationship to such excess amount (or such portion) as the amount of the Federal Pell Grant such student receives under this subpart (excluding this paragraph) for such award

1 year bears to the total amount awarded in  
2 Federal Pell Grants under this subpart  
3 (excluding this paragraph) for such award  
4 year; and

5 “(ii) may—

6 “(I) exceed the total maximum  
7 Federal Pell Grant available for such  
8 award year; and

9 “(II) be lower than the minimum  
10 Federal Pell Grant (as defined in sec-  
11 tion (a)(2)(F)) for such award year;  
12 and

13 “(B) ensure that—

14 “(i) in the case of a student awarded  
15 an additional Federal Pell Grant under  
16 subparagraph (A) for an award year, the  
17 total amount of Federal Pell Grants  
18 awarded to such student under this sub-  
19 part (including such additional Federal  
20 Pell Grant) for such award year may ex-  
21 ceed the total maximum Federal Pell  
22 Grant available for such award year; and

23 “(ii) any period of study covered by  
24 an additional Federal Pell Grant awarded  
25 under subparagraph (A) shall not be in-



1                   cluded in determining a student’s duration  
2                   limit under subsection (d)(5).”.

3 **SEC. 302. USE OF FUNDS FROM THE REPAYMENT OF FED-**  
4 **ERAL STUDENT LOANS.**

5           Part G of title IV of the Higher Education Act of  
6 1965 (20 U.S.C. 1088 et seq.) is amended by adding at  
7 the end the following:

8 **“SEC. 494A. USE OF FUNDS FROM THE REPAYMENT OF FED-**  
9 **ERAL STUDENT LOANS.**

10           “(a) IN GENERAL.—The Secretary of Education  
11 shall, without further appropriation, deposit all amounts  
12 repaid on loans made, insured, or guaranteed under this  
13 title into the Education Affordability Trust Fund estab-  
14 lished under section 494B (referred to in this section as  
15 the ‘Trust Fund’).

16           “(b) USE OF TRUST FUND ASSETS.—

17           “(1) IN GENERAL.—The Trust Fund Board  
18 shall transfer the profits from the investments of the  
19 Trust Fund to the Secretary of Education, to pay  
20 for the administrative costs of the Department of  
21 Education in making loans under part D, including  
22 loans under section 460A(b), to all eligible students  
23 (and the eligible parents of such students) in attend-  
24 ance at participating institutions of higher education  
25 selected by the Secretary, to enable such students to

1 pursue their courses of study at such institutions, in  
2 the following amounts:

3 “(A) During any period of time when the  
4 Trust Fund has assets under management of  
5 \$500,000,000 or more over a 180-day period,  
6 100 percent of such profits.

7 “(B) During any period of time when the  
8 Trust Fund has profits of less than  
9 \$500,000,000, but more than or equal to  
10 \$400,000,000 over a 180-day period, 40 per-  
11 cent of such profits.

12 “(C) During any period of time when the  
13 Trust Fund has profits of less than  
14 \$400,000,000 but more than or equal to  
15 \$300,000,000 over a 180-day period, 10 per-  
16 cent of such profits.

17 “(D) During any period of time when the  
18 Trust Fund has profits of less than  
19 \$300,000,000 over a 180-day period, 0 percent  
20 of such profits.

21 “(2) PROFITS DEFINED.—In this subsection,  
22 the term ‘profits’ means the amount that the return  
23 on investment from bond investments made by the  
24 Trust Fund exceeds the amount repaid on loans and  
25 deposited into the Trust Fund under subsection (a).

1       “(c) USE OF EXCESS AMOUNTS.—If the amounts re-  
2       quired to be transferred under subsection (b) are in excess  
3       of the amounts needed to pay for the costs of the Depart-  
4       ment of Education described under subsection (b), the  
5       Secretary of Education may elect to use such excess  
6       amounts (or a portion of such excess amounts)—

7               “(1) to carry out the Supplemental Federal Pell  
8       Grant Program under section 401(b)(10); and

9               “(2) for the Postsecondary Student Success  
10       Program authorized under part B of title VII and  
11       for which the Department issued a notice inviting  
12       applications in the Federal Register on August 12,  
13       2022 (87 Fed. Reg. 49811 et seq.), except that, not-  
14       withstanding the terms and condition of such pro-  
15       gram described in the notice—

16               “(A) any institution of higher education  
17       defined in section 101 or 102(a)(1)(B) is eligi-  
18       ble to receive a grant under the program if—

19                       “(i) the average cost of tuition to at-  
20       tend such institution for the 3 most recent  
21       academic years has not increased by more  
22       than 3 percent;

23                       “(ii) the institution provides an assur-  
24       ance that the average cost of tuition to at-  
25       tend such institution for the succeeding 3

1 academic years will not increase by more  
2 than 3 percent; or

3 “(iii) the size of the endowment fund  
4 (as defined in section 312(c)) of the insti-  
5 tution on the first day of the previous cal-  
6 endar year was not greater than  
7 \$100,000,000; and

8 “(B) grants under the program will be  
9 awarded on a competitive basis, and the amount  
10 of any such grant will be not less than  
11 \$600,000, and not more than \$1,000,000.

12 “(d) REPORT AND TESTIMONY TO CONGRESS.—If  
13 the Secretary of Education elects to use excess amounts  
14 described under subsection (c) the Secretary shall provide  
15 to Congress a report on the use of such amounts (and  
16 provide testimony on such use) not later than 180 days  
17 after making use of such funds.”.

18 **SEC. 303. EDUCATION AFFORDABILITY TRUST FUND.**

19 Part G of title IV of the Higher Education Act of  
20 1965 (20 U.S.C. 1088 et seq.) is further amended by add-  
21 ing at the end the following:

22 **“SEC. 494B. EDUCATION AFFORDABILITY TRUST FUND.**

23 “(a) ESTABLISHMENT.—There is established within  
24 the Department a trust fund to be known as the ‘Edu-

1 cation Affordability Trust Fund’ (referred to in this sec-  
2 tion as the ‘Trust Fund’).

3 “(b) BOARD.—

4 “(1) IN GENERAL.—The head of the Trust  
5 Fund shall be a 6-member Education Affordability  
6 Trust Fund Board (referred to in this section as the  
7 ‘Board’).

8 “(2) APPOINTMENT OF MEMBERS.—The mem-  
9 bers of the Board shall be appointed by the Presi-  
10 dent, by and with the advice and consent of the Sen-  
11 ate, from among individuals who—

12 “(A) have experience and expertise in the  
13 management of financial investments;

14 “(B) have at least 10 years of experience  
15 in the financial investment field;

16 “(C) at least 3 of which have experience  
17 working with rural lenders, historically  
18 disenfranchised groups, or low-income commu-  
19 nities; and

20 “(D) are not currently an elected official.

21 “(3) DISQUALIFICATIONS FOR APPOINT-  
22 MENTS.—

23 “(A) LOBBYING.—No individual required  
24 to register as a lobbyist under section 4 of the  
25 Lobbying Disclosure Act of 1995 (2 U.S.C.

1           1603) may be appointed to, or serve on, the  
2           Board.

3           “(B) INCOMPATIBLE OFFICE.—No member  
4           of the Board may hold or may have held the po-  
5           sition of Member of the House of Representa-  
6           tives or Senator, may hold the position of offi-  
7           cer or employee of the House of Representa-  
8           tives, Senate, or instrumentality or other entity  
9           of the legislative branch, or may have held such  
10          a position within 4 years of the date of appoint-  
11          ment.

12          “(4) TERM.—

13           “(A) IN GENERAL.—The members of the  
14           Board shall serve 6-year terms, staggered such  
15           that the terms of 2 members ends every 2  
16           years.

17           “(B) POLITICAL AFFILIATION.—The 2  
18           members serving terms that end at the same  
19           time may not be members of the same political  
20           party.

21           “(C) MEMBERS TAKE OFFICE TO-  
22           GETHER.—With respect to the 2 individuals ap-  
23           pointed to fill terms ending at the same time,  
24           neither individual may begin serving as a mem-

1           ber of the Board until both have been appointed  
2           and confirmed by the Senate.

3           “(D) AUTHORITY TO SERVE UNTIL A SUC-  
4           CESSOR IS APPOINTED.—Upon the expiration of  
5           a term of a member of the Board, that member  
6           shall continue to serve until a successor is ap-  
7           pointed.

8           “(E) LIMITATION.—An individual may  
9           only serve as a member of the Board for a max-  
10          imum of 2 terms.

11          “(F) REMOVAL FOR CAUSE.—The Presi-  
12          dent may remove a member of the Board only  
13          for inefficiency, neglect of duty, or malfeasance  
14          in office.

15          “(5) DEADLINE FOR INITIAL APPOINTMENTS.—  
16          The initial members of the Board shall be appointed  
17          no later than 90 days after the date of enactment  
18          of this section.

19          “(6) CHAIR.—Each member of the Board shall  
20          serve as the Chair of the Board during the final year  
21          of the term for which the member is appointed.

22          “(7) CONFLICTS OF INTEREST.—Each member  
23          of the Board shall, with respect to entities in which  
24          the Trust Fund invests, either divest any interest in

1 such entities or place such interests into a blind  
2 trust.

3 “(8) MEETINGS.—

4 “(A) IN GENERAL.—The Board shall meet  
5 no less than once per quarter.

6 “(B) PARTICIPATION BY FUND MAN-  
7 AGERS.—The fund manager appointed under  
8 subsection (c) shall attend not less than 2 meet-  
9 ings of the Board each year, to discuss fore-  
10 casting and current investment performance.

11 “(C) EMERGENCY MEETING REQUIRE-  
12 MENT.—If, once the assets under management  
13 of the Trust Fund have reached  
14 \$500,000,000,000, the assets under manage-  
15 ment of the Trust Fund drops below  
16 \$300,000,000,000, the Board shall immediately  
17 hold an emergency meeting to discuss ensuring  
18 the long-term solvency of the Trust Fund.

19 “(9) VOTING.—Investment guidelines shall be  
20 adopted by a unanimous vote of the entire Board.  
21 All other decisions of the Board shall be decided by  
22 a majority vote. All decisions of the Board shall be  
23 entered upon the records of the Board.

24 “(10) COMPENSATION.—While serving on the  
25 business of the Board (including travel time), a



1 member of the Board shall be entitled to compensa-  
2 tion at the per diem equivalent of the rate provided  
3 for level IV of the Executive Schedule under section  
4 5315 of title 5, United States Code, and while so  
5 serving away from home and the member's regular  
6 place of business, a member may be allowed travel  
7 expenses, as authorized by the Chair of the Board.

8 “(c) POWERS AND RESPONSIBILITIES OF THE  
9 BOARD.—

10 “(1) APPOINTMENT OF FUND MANAGERS.—

11 “(A) IN GENERAL.—The Board shall ap-  
12 point independent fund managers from among  
13 individuals who have met such ethics vetting re-  
14 quirements as the Board may establish.

15 “(B) FAILURE TO MAKE A UNANIMOUS AP-  
16 POINTMENT.—If the Board fails to make an ap-  
17 pointment under subparagraph (A), the Chair  
18 shall, not later 10 days after the date of such  
19 failure, make the appointment.

20 “(C) INITIAL FUND MANAGERS.—The  
21 Board shall make the initial appointment of  
22 independent fund managers under subpara-  
23 graph (A) not later than 60 days after the date  
24 on which all members of the Board are first ap-  
25 pointed.

1           “(2) OTHER DUTIES.—The Board shall—

2                   “(A) retain independent advisers to assist  
3 it in the formulation and adoption of its invest-  
4 ment guidelines;

5                   “(B) pay the administrative expenses of  
6 the Trust Fund from the assets in the Trust  
7 Fund; and

8                   “(C) discharge their duties (including the  
9 voting of proxies) with respect to the assets of  
10 the Trust Fund solely in the interest of the  
11 Trust Fund and through it, the participants  
12 and beneficiaries of the programs funded under  
13 this Act—

14                           “(i) for the exclusive purpose of—

15                                   “(I) providing zero-interest Fed-  
16 eral student loans to existing and fu-  
17 ture borrowers; and

18                                   “(II) defraying reasonable ex-  
19 penses of administering the functions  
20 of the Trust Fund;

21                           “(ii) with the care, skill, prudence,  
22 and diligence under the circumstances then  
23 prevailing that a prudent person acting in  
24 a like capacity and familiar with such mat-  
25 ters would use in the conduct of an enter-

1           prise of a like character and with like  
2           aims;

3           “(iii) by diversifying investments so as  
4           to minimize the risk of large losses and to  
5           avoid disproportionate influence over a  
6           particular industry or firm, unless under  
7           the circumstances it is clearly prudent not  
8           to do so; and

9           “(iv) in accordance with Trust Fund  
10          governing documents and instruments in-  
11          sofar as such documents and instruments  
12          are consistent with this Act.

13          “(3) PROHIBITIONS WITH RESPECT TO MEM-  
14          BERS OF THE BOARD.—No member of the Board  
15          shall—

16               “(A) deal with the assets of the Trust  
17          Fund in the member’s own interest or for the  
18          member’s own account;

19               “(B) in an individual or in any other ca-  
20          pacity act in any transaction involving the as-  
21          sets of the Trust Fund on behalf of a party (or  
22          represent a party) whose interests are adverse  
23          to the interests of the Trust Fund or the inter-  
24          ests of borrowers; or

1           “(C) receive any consideration for the  
2 member’s own personal account from any party  
3 dealing with the assets of the Trust Fund.

4           “(4) AUDIT AND REPORT.—

5           “(A) AUDIT.—The Board shall annually  
6 engage an independent qualified public account-  
7 ant to audit the financial statements of the  
8 Trust Fund.

9           “(B) REPORT TO CONGRESS.—

10           “(i) IN GENERAL.—The Board shall  
11 submit an annual management report to  
12 the Secretary of Education, the Secretary  
13 of the Treasury, the President, and the  
14 Congress not later than 180 days after the  
15 end of each fiscal year, including—

16           “(I) a statement of financial po-  
17 sition, including the total amount in  
18 the Trust Fund;

19           “(II) a statement of operations;

20           “(III) a statement of cash flows;

21           “(IV) a breakdown of the invest-  
22 ments made by the Trust Fund, in-  
23 cluding by type;

1                   “(V) a statement on internal ac-  
2                   counting and administrative control  
3                   systems;

4                   “(VI) the report resulting from  
5                   an audit of the financial statements of  
6                   the Trust Fund conducted under sub-  
7                   paragraph (A); and

8                   “(VII) any other comments and  
9                   information necessary to inform the  
10                  Congress about the operations and fi-  
11                  nancial condition of the Trust Fund.

12                  “(ii) PUBLIC AVAILABILITY OF RE-  
13                  PORT.—The Board shall make each report  
14                  required under this subparagraph available  
15                  to the public, including on the website of  
16                  the Department of Education.

17                  “(5) RULES AND ADMINISTRATIVE POWERS.—  
18                  The Board shall have the authority to make rules to  
19                  govern the operations of the Trust Fund, employ  
20                  professional staff, and contract with outside advisers  
21                  to provide legal, accounting, investment advisory, or  
22                  other services necessary for the proper administra-  
23                  tion of this section. In the case of contracts with in-  
24                  vestment advisory services, compensation for such  
25                  services may be on a fixed contract fee basis or on

1 such other terms and conditions as are customary  
2 for such services.

3 “(6) FINANCIAL DISCLOSURE REPORTS.—Each  
4 Member and employee of the Board shall file with  
5 the Secretary of Education and appropriate commit-  
6 tees of Congress financial disclosure reports that  
7 comply with the requirements under subchapter I of  
8 chapter 131 of title 5, United States Code.

9 “(7) FUNDING.—The expenses of the Trust  
10 Fund and the Board incurred under this section  
11 shall be paid from the Trust Fund.

12 “(d) DUTIES OF THE FUND MANAGERS.—

13 “(1) IN GENERAL.—The fund managers shall  
14 invest the assets of the Trust Fund in a manner  
15 consistent with the investment guidelines adopted by  
16 the Board.

17 “(2) INSTRUMENTS.—The fund managers shall  
18 invest the amounts in the Trust Fund in bonds that  
19 consist of the following:

20 “(A) Municipal bonds.

21 “(B) Bonds issued by the Department of  
22 the Treasury, which may not make up more  
23 than 40 percent of the total investments of the  
24 Trust Fund.

25 “(C) Other Federal bonds.

1           “(D) Bonds issued by the Federal Home  
2           Loan Mortgage Corporation, the Federal Na-  
3           tional Mortgage Association, or a Federal  
4           Home Loan Bank.

5           “(E) International bonds, which may not  
6           make up more than 10 percent of the total in-  
7           vestments of the Trust Fund.

8           “(F) Corporate bonds, which may not  
9           make up more than 10 percent of the total in-  
10          vestments of the Trust Fund.

11          “(3) INVESTMENT REQUIREMENTS.—

12           “(A) RATINGS.—The investments of the  
13          Trust Fund shall consist—

14           “(i) only of investments rated at least  
15           Baa1 or BBB+ by Moody’s, S&P, or Fitch  
16           Ratings;

17           “(ii) at least 80 percent of invest-  
18           ments rated at least A3 or A- by Moody’s,  
19           S&P, or Fitch Ratings;

20           “(iii) at least 60 percent of invest-  
21           ments rated at least Aa1 or AA+ by  
22           Moody’s, S&P, or Fitch Ratings; and

23           “(iv) at least 40 percent of invest-  
24           ments rated at least Aaa or AAA by  
25           Moody’s, S&P, or Fitch Ratings.

1           “(B) DIVERSIFICATION.—The investments  
2 of the Trust Fund shall be diversified to mini-  
3 mize the risk of large losses and to avoid dis-  
4 proportionate influence over a particular region,  
5 industry, or firm, unless under the cir-  
6 cumstances it is clearly prudent not to do so.

7           “(C) LIMITATION ON INVESTING IN CER-  
8 TAIN COUNTRIES.—The Trust Fund may not  
9 invest in entities or subsidiaries of entities that  
10 are—

11                   “(i) based in any country that does  
12 not have diplomatic relations with the  
13 United States;

14                   “(ii) based in any country, the govern-  
15 ment of which is subject to sanctions by  
16 the United States; or

17                   “(iii) on a sanctions list of the De-  
18 partment of the Treasury.

19           “(4) SHORT-TERM INITIAL INVESTMENTS.—  
20 During the 10-year period beginning on the date of  
21 enactment of this section, the fund managers shall  
22 prioritize investments in bonds with a maturity date  
23 of less than 10 years.

24           “(e) MEANS OF FINANCING.—For purposes of the  
25 Congressional Budget Act of 1974 (2 U.S.C. 621 et seq.),



1 the Balanced Budget and Emergency Deficit Control Act  
2 of 1985 (2 U.S.C. 900 et seq.), and chapter 11 of title  
3 31, United States Code, and notwithstanding section 20  
4 of Office of Management and Budget Circular No. A-11,  
5 or any successor thereto, earnings of the Trust Fund shall  
6 be calculated on an accrual basis.”.

7                   **TITLE IV—GENERAL**  
8                   **PROVISIONS**

9 **SEC. 401. IMPLEMENTATION.**

10           In carrying out the amendments made by titles I, II,  
11 and III, the Secretary of Education may waive the applica-  
12 tion of—

13                   (1) the master calendar requirements under  
14           section 482 of the Higher Education Act of 1965  
15           (20 U.S.C. 1089); and

16                   (2) negotiated rulemaking under section 492 of  
17           the Higher Education Act of 1965 (20 U.S.C.  
18           1098a).

○