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(Original Signature of Member)

119TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Higher Education Act of 1965 to lower the interest rate on Federal student loans to 2 percent.

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IN THE HOUSE OF REPRESENTATIVES

Mr. LAWLER introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Higher Education Act of 1965 to lower the interest rate on Federal student loans to 2 percent.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Affordable Loans for  
5 Students Act”.

6 **SEC. 2. PROGRAM AUTHORITY.**

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

1 (1) by striking “and (2)” and inserting “(2)”;

2 and

3 (2) by inserting “; and (3) to make loans under

4 section 460A(b)” after “section 459A”.

5 **SEC. 3. PROGRAM FOR THE LOAN MODIFICATION OF ELIGI-**  
6 **BLE FEDERAL LOANS HELD BY THE SEC-**  
7 **RETARY, AND REFINANCING OF OTHER FED-**  
8 **ERAL STUDENT LOANS.**

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

13 **“SEC. 460A. PROGRAM FOR THE LOAN MODIFICATION OF**  
14 **ELIGIBLE FEDERAL LOANS HELD BY THE**  
15 **SECRETARY, AND REFINANCING OF OTHER**  
16 **FEDERAL STUDENT LOANS.**

17 “(a) FEDERAL DIRECT LOAN MODIFICATION.—The  
18 Secretary shall establish and implement, with respect to  
19 each borrower of an eligible Federal loans held by the Sec-  
20 retary, procedures to modify, without any action from the  
21 borrower, the terms of such loan so that beginning on the  
22 first July 1 after the date of enactment of the Affordable  
23 Loans for Students Act, the applicable rate of interest  
24 shall be 2.0 percent on the unpaid principal balance of  
25 the loan.

1           “(b) REFINANCING ELIGIBLE FEDERAL LOANS NOT  
2 HELD BY THE SECRETARY AS FEDERAL DIRECT CON-  
3 SOLIDATION LOANS.—

4           “(1) IN GENERAL.—The Secretary shall estab-  
5 lish and implement, with respect to each borrower of  
6 an eligible Federal loan not held by the Secretary,  
7 procedures to refinance such loan in accordance with  
8 the requirements of paragraph (2) and without any  
9 action from the borrower, except that such borrower  
10 may opt out of such procedures with respect to such  
11 loan.

12           “(2) PROCEDURES.—In refinancing an eligible  
13 Federal loan not held by the Secretary with respect  
14 to a borrower of such loan, the Secretary shall carry  
15 out the following:

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 Federal loan not  
21 held by the Secretary.

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

1 any remaining obligation with respect to such  
2 eligible Federal loan not held by the Secretary.

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 RATE.—The applicable  
2 rate of interest for a loan made under this sub-  
3 section shall be 2.0 percent on the unpaid prin-  
4 cipal balance of the loan.

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

15           “(E) RULE OF CONSTRUCTION.—Nothing  
16 in this section shall be construed to—

17           “(i) prohibit a borrower of an eligible  
18 Federal loan not held by the Secretary  
19 from consolidating such a loan with any  
20 other loan eligible for consolidation under  
21 this section into a single consolidation loan  
22 under this section; or

23           “(ii) require such a borrower to con-  
24 solidate any such loan with any other loan  
25 eligible for consolidation under this section

1                   into a single consolidation loan under this  
2                   section.

3           “(c) REPORT.—Not later than 180 days after the sec-  
4   ond July 1 after the date of enactment of the Affordable  
5   Loans for Students Act, and on an annual basis there-  
6   after, the Secretary shall submit a report to the author-  
7   izing committees that includes—

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

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

13          “(d) DEFINITIONS.—In this section:

14                   “(1) ELIGIBLE FEDERAL LOAN HELD BY THE  
15          SECRETARY.—The term ‘eligible Federal loan held  
16          by the Secretary’ means—

17                   “(A) any loan made under this part, and  
18           first disbursed before the first July 1 after the  
19           date of enactment of the Affordable Loans for  
20           Students Act;

21                   “(B) any loan made, insured, or guaran-  
22           teed under part B, and which is held by the  
23           Secretary;

24                   “(C) any loan made under part E, and  
25           which is held by the Secretary; and

1           “(D) any loan made under subpart I of  
2           part A of title VII of the Public Health Service  
3           Act (42 U.S.C. 292 et seq.), and which is held  
4           by the Secretary.

5           “(2) ELIGIBLE FEDERAL LOAN NOT HELD BY  
6           THE SECRETARY.—The term ‘eligible Federal loan  
7           not held by the Secretary’ means any loan—

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

10           “(B) made under part E, and which is not  
11           held by the Secretary; and

12           “(C) made under—

13           “(i) subpart I of part A of title VII of  
14           the Public Health Service Act (42 U.S.C.  
15           292 et seq.), and which is not held by the  
16           Secretary;

17           “(ii) subpart II of part A of title VII  
18           of the Public Health Service Act (42  
19           U.S.C. 292q et seq.); or

20           “(iii) part E of title VIII of the Public  
21           Health Service Act (42 U.S.C. 297a et  
22           seq.).

23           “(3) ORIGINAL LOAN.—The term ‘original  
24           loan’, used with respect to a Federal Direct Consoli-  
25           dation Loan made under subsection (b), means a

1 loan for which a borrower’s liability is discharged by  
2 such Federal Direct Consolidation Loan.”.

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

5 (1) in section 428C(a)(3)(B)(i)(V) (20 U.S.C.  
6 1078–3(3)(B)(i)(V))—

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

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

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

12 “(ee) for the purpose of ob-  
13 taining a Federal Direct Consoli-  
14 dation Loan under section  
15 460A(b).”.

16 **SEC. 4. APPLICABLE RATES OF INTEREST FOR LOANS**  
17 **MADE ON OR AFTER THE FIRST JULY 1**  
18 **AFTER THE DATE OF ENACTMENT OF THE AF-**  
19 **FORDABLE LOANS FOR STUDENTS ACT.**

20 Section 455(b)(8) of the Higher Education Act of  
21 1965 (20 U.S.C. 1087e(b)(8)) is amended—

22 (1) in the paragraph heading, by inserting  
23 “AND BEFORE THE FIRST JULY 1 AFTER THE DATE  
24 OF ENACTMENT OF THE AFFORDABLE LOANS FOR  
25 STUDENTS ACT ” after “JULY 1, 2013”;

1           (2) in subparagraph (A), by inserting “and be-  
2           fore the first July 1 after the date of enactment of  
3           the Affordable Loans for Students Act” after “July  
4           1, 2013”;

5           (3) in subparagraph (B), by inserting “and be-  
6           fore the first July 1 after the date of enactment of  
7           the Affordable Loans for Students Act” after “July  
8           1, 2013”;

9           (4) in subparagraph (C), by inserting “and be-  
10          fore the first July 1 after the date of enactment of  
11          the Affordable Loans for Students Act” after “July  
12          1, 2013”;

13          (5) in subparagraph (D), by inserting “and be-  
14          fore the first July 1 after the date of enactment of  
15          the Affordable Loans for Students Act” after “July  
16          1, 2013”;

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

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

21                   “(F) NEW LOANS ON OR AFTER THE FIRST  
22                   JULY 1 AFTER THE DATE OF ENACTMENT OF  
23                   THE AFFORDABLE LOANS FOR STUDENTS  
24                   ACT.—Notwithstanding the preceding subpara-  
25                   graphs of this paragraph, for Federal Direct

1           Stafford Loans, Federal Direct Unsubsidized  
2           Stafford Loans, Federal Direct PLUS Loans,  
3           and Federal Direct Consolidation Loans for  
4           which the first disbursement is made, or the ap-  
5           plication is received, on or after the first July  
6           1 after the date of enactment of the Affordable  
7           Loans for Students Act, the applicable rate of  
8           interest shall be 2.0 percent on the unpaid prin-  
9           cipal balance of the loan.”.