AMENDMENT TO THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE TO H.R. 4508
OFFERED BY MR. COURTNEY OF CONNECTICUT

Title IV of the amendment is amended by adding at the end the following:

PART I—STUDENT LOAN REFINANCING PROGRAM

SEC. 498. REFINANCING PROGRAM.

Title IV (20 U.S.C. 1070 et seq.) is amended by adding at the end the following:

“PART J—STUDENT LOAN REFINANCING PROGRAM

“SEC. 499A. REFINANCING FFEL, FEDERAL DIRECT, AND FEDERAL ONE LOANS.

“(a) IN GENERAL.—Beginning not later than 180 days after the date of enactment of the PROSPER Act, 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 section, in accordance with the provisions of this section, in order to enable the borrower to obtain the interest rate provided under subsection (e).

“(b) 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.

“(c) REFINANCING 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, 2017, with the proceeds of a loan under this section 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) FEDERAL ONE LOANS.—Upon application of a qualified borrower, the Secretary shall repay a
Federal ONE Loan of a qualified borrower with the
proceeds of a loan under this section issued to the
borrower in an amount equal to the sum of the un-
paid principal, accrued unpaid interest, and late
charges of the original loan.

“(3) Refinancing FFEL Program Loans.—

Upon application 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 section, 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 re-
maining 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
loan under this section with the same
terms and conditions as a Federal Direct
Stafford Loan (except as otherwise pro-
vided in this section);

“(ii) a loan originally made, insured,
or guaranteed under section 428B shall be
a loan under this section with the same
terms and conditions as a Federal Direct
PLUS Loan (except as otherwise provided
in this section);

“(iii) a loan originally made, insured,
or guaranteed under section 428H shall be
a loan under this section with the same
terms and conditions as a Federal Direct
Unsubsidized Stafford Loan (except as
otherwise provided in this section); and

“(iv) a loan originally made, insured,
or guaranteed under section 428C shall be
a loan under this section with the same
terms and conditions as a Federal Direct
Consolidation Loan (except as otherwise
provided in this section).

“(d) INTEREST RATES.—
‘‘(1) IN GENERAL.—The interest rate for refinancing loans under this section, shall be a rate equal to—

(A) in any case where the original loan was a loan under section 428 or 428H, a Federal Direct Stafford loan, or a Federal Direct Unsubsidized Stafford Loan, that was issued to an undergraduate student, a rate equal to the rate for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans issued to undergraduate students for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017;

(B) in any case where the original loan was a loan under section 428 or 428H, a Federal Direct Stafford Loan, or a Federal Direct Unsubsidized Stafford Loan, that was issued to a graduate or professional student, a rate equal to the rate for Federal Direct Unsubsidized Stafford Loans issued to graduate or professional students for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017;

(C) in any case where the original loan was a loan under section 428B or a Federal Di-
rect PLUS Loan, a rate equal to the rate for Federal Direct PLUS Loans for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017;

“(D) in any case where the original loan was a loan under section 428C or a Federal Direct Consolidation Loan, a rate calculated in accordance with paragraph (2); and

“(E) in any case where the original loan was a Federal ONE Loan, for loans disbursed during any 12-month period beginning on July 1 and ending on June 30, either—

“(i) the high yield of the 10-year Treasury note auctioned at the final auction held prior the preceding June 1—

“(I) plus 2.05 percent for loans issued to undergraduate students;

“(II) plus 3.60 percent for loans issued to graduate or professional students; and

“(III) plus 4.6 percent for loans issued to parent borrowers; or

“(ii) a fixed rate for such period as determined by the Secretary.
“(2) Interest rates for consolidation loans.—

“(A) Method of calculation.—In order to determine the interest rate for any loan under this section that was originally a loan under section 428C or Federal Direct Consolidation Loan under paragraph (1)(D), 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) apply the weighted average calculated under clause (ii) as the interest rate for the refinanced Federal Direct Consolidation Loan.

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

“(i) The interest rate for any loan under section 428 or 428H, Federal Direct Stafford Loan, or Federal Direct Unsubsidized Stafford Loan issued to an undergraduate student shall be a rate equal to the lesser of—

“(I) the rate for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans issued to undergraduate students for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017; or

“(II) the original interest rate of the component loan.
“(ii) The interest rate for any loan under section 428 or 428H, Federal Direct Stafford Loan, or Federal Direct Unsubsidized Stafford Loan issued to a graduate or professional student shall be a rate equal to the lesser of—

“(I) the rate for Federal Direct Unsubsidized Stafford Loans issued to graduate or professional students for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017; or

“(II) the original interest rate of the component loan.

“(iii) The interest rate for any loan under section 428B or Federal Direct PLUS Loan shall be a rate equal to the lesser of—

“(I) the rate for Federal Direct PLUS Loans for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017; or

“(II) the original interest rate of the component loan.
“(iv) The interest rate for any component loan that is a loan under section 428C or a Federal Direct Consolidation Loan shall be the weighted average of the interest rates that would apply under this subparagraph for each loan comprising the component consolidation loan.

“(v) 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) through (iv) shall be the interest rate on the original component loan.

“(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.

“(e) APPLICABILITY OF PARTS D AND G.—Except as otherwise provided in this section, the provisions of part D and part G shall apply with respect to loans made under this section in the same manner that such provisions apply with respect to loans made under part D.

“(f) REPAYMENT PLANS.—In calculating the period of time during which a borrower of a loan that is refinanced under this section has made monthly payments for
purposes of section 493C(b)(7), the Secretary shall deem
the period to include all monthly payments made for the
original loan, and all monthly payments made for the refi-
nanced loan, that otherwise meet the requirements of this
section.

“(g) PUBLIC SERVICE LOAN FORGIVENESS.—

“(1) REFINANCED FEDERAL DIRECT OR FED-
ERAL ONE LOANS.—In determining the number of
monthly payments that meet the requirements of
section 455(m)(1) for a loan under this section that
was originally a loan under part D or part E, the
Secretary shall include all monthly payments made
on the original loan that meet the requirements of
such paragraph.

“(2) REFINANCED FFEL LOANS.—In the case of
an eligible Federal Direct Loan refinanced under
this section that was originally a loan under part B,
only monthly payments made after the date on
which the loan was refinanced may be included for
purposes of section 455(m)(1).

“(h) DEFINITION OF QUALIFIED BORROWER.—

“(1) IN GENERAL.—For purposes of this sec-
tion, the term ‘qualified borrower’ means a bor-
rower—
“(A)(i) of a loan under part D or part B for which the first disbursement was made, or the application for a consolidation loan was received, before July 1, 2017; or
“(ii) of a Federal ONE loan under part E;
and
“(B) who meets the eligibility requirements based on income or debt-to-income ratio established by the Secretary.
“(2) INCOME REQUIREMENTS.—Not later than 180 days after the date of enactment of the PROSPER Act, the Secretary shall establish eligibility requirements based on income or debt-to-income ratio that take into consideration providing access to refinancing under this section for borrowers with the greatest financial need.
“(i) 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 title 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. 499B. FEDERALLY 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, 2017; 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 part E, as of the date that the loan was disbursed.
“(2) **Federally refinanced private loan.**—The term ‘Federally 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 title; 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 Treasury, shall carry out a program under which the Secretary, upon applica-
tion by a qualified borrower who has an eligible private education loan, shall issue such borrower a loan under this section 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 information and counseling required under clauses (i) through (viii) of section 485(b)(1)(A) 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 Federally 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.

“(2) BORROWER ELIGIBILITY.—Not later than 180 days after the date of enactment of the PROSPER Act, the Secretary, in consultation with the Secretary of the Treasury and the Director of the Bureau of Consumer Financial Protection, shall establish eligibility requirements—

“(A) based on income or debt-to-income ratio that take into consideration providing access to refinancing under this section for borrowers with the greatest financial need;

“(B) to ensure eligibility only for borrowers in good standing;

“(C) to minimize inequities between Federally Refinanced Private Loans and other Federal student loans;

“(D) to preclude windfall profits for private educational lenders; and

“(E) 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 subparagraphs (A) and (B).

“(c) INTEREST RATE.—
“(1) IN GENERAL.—The interest rate for a Federally Refinanced Private Loan is—

“(A) in the case of a Federally Refinanced Private Loan for a private education loan originally issued for undergraduate postsecondary educational expenses, a rate equal to the rate for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans issued to undergraduate students for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017; and

“(B) in the case of a Federally Refinanced Private Loan for a private education loan originally issued for graduate or professional degree postsecondary educational expenses, a rate equal to the rate for Federal Direct Unsubsidized Stafford Loans issued to graduate or professional students for the 12-month period beginning on July 1, 2016, and ending on June 30, 2017.

“(2) COMBINED UNDERGRADUATE AND GRADUATE STUDY LOANS.—If a Federally Refinanced Private Loan is for a private education loan originally issued for both undergraduate and graduate or professional postsecondary educational expenses, the
interest rate shall be a rate equal to the rate for
Federal Direct PLUS Loans for the 12-month pe-
period beginning on July 1, 2016, and ending on June
30, 2017.

“(3) FIXED RATE.—The applicable rate of in-
terest determined under this subsection for a Feder-
ally Refinanced Private Loan shall be fixed for the
period of the loan.

“(d) NO INCLUSION IN AGGREGATE LIMITS.—The
amount of a Federally Refinanced Private Loan, or a Fed-
eral Direct Consolidated Loan or Federal ONE Consolida-
tion Loan, to the extent such loan was used to repay a
Federally Refinanced Private Loan, shall not be included
in calculating a borrower’s annual or aggregate loan limits
under this title.

“(e) APPLICABILITY OF PARTS D AND G.—Except as
otherwise provided in this section, the provisions of part
D and part G shall apply with respect to loans made under
this section in the same manner that such provisions apply
with respect to loans made under part D.

“(f) NO ELIGIBILITY FOR SERVICE-RELATED REPAY-
MENT.—Notwithstanding any other provision of this title,
a Federally Refinanced Private Loan, or any Federal Di-
rect Consolidation Loan or Federal ONE Consolidation
Loan, to the extent such loan was used to repay a Federa-
ally Refinanced Private Loan, shall not be eligible for any
loan repayment or loan forgiveness program under section
428K, 428L, or 499 or for the repayment plan for public
service employees under section 455(m).

“(g) SPECIAL RULE FOR REPAYMENT.—In calcul-
ating the period of time during which a borrower of a
Federally Refinanced Private Loan under this section has
made monthly payments for purposes of section
493C(b)(7), the Secretary shall include only payments—

“(1) that are made after the date of the
issuance of the Federally Refinanced Private Loan;
and

“(2) that otherwise meet the requirements of
this section.

“(h) PRIVATE EDUCATIONAL LENDER REPORTING
REQUIREMENT.—

“(1) REPORTING REQUIRED.—Not later than
180 days after the date of enactment of the PROS-
PER Act, the Secretary, in consultation with the
Secretary of the Treasury and the Director of the
Bureau of Consumer Financial Protection, shall es-
establish a requirement that private educational lend-
ers report the data described in paragraph (2) to the
Secretary, to Congress, to the Secretary of the
Treasury, and to the Director of the Bureau of Con-
Consumer Financial Protection, in order to allow for an assessment of the private education loan market.

“(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.

“(i) NOTIFICATION TO BORROWERS.—The Secretary, in coordination with the Secretary of the Treasury and the Director of the Bureau of Consumer Financial Protection, shall undertake a campaign to alert borrowers about the availability of private student loan refinancing under this section.”.