To establish a temporary program for the refinancing of certain Federal and private student loans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. WHITEHOUSE introduced the following bill; which was read twice and referred to the Committee on ___________________

A BILL

To establish a temporary program for the refinancing of certain Federal and private student loans, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Zero-Percent Student Loan Refinancing Act”.

SEC. 2. TEMPORARY PROGRAM FOR REFINANCING STUDENT LOANS.

(a) Program Authority.—Section 451(a) of the Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is amended—
(1) by striking “and (2)” and inserting “(2)”; and

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

(b) Refinancing Program.—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. 460A. TEMPORARY PROGRAM FOR THE REFINANCING OF FEDERAL DIRECT LOANS AND OTHER FEDERAL STUDENT LOANS.

“(a) Definitions.—In this section:

“(1) Covered non-part D loan.—The term ‘covered non-part D loan’ means a loan—

“(A) 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;

“(B) made under part E; or

“(C) made under—

“(i) subpart II of part A of title VII of the Public Health Service Act (42 U.S.C. 292q et seq.); or
“(ii) part E of title VIII of the Public Health Service Act (42 U.S.C. 297a et seq.).

“(2) COVERED PERIOD.—The term ‘covered period’ means the period beginning on August 1, 2022, and ending at the close of December 31, 2025.

“(3) ORIGINAL LOAN.—The term ‘original loan’ means a loan for which a borrower’s liability is discharged by a refinanced loan issued in accordance with this section.

“(4) QUALIFIED BORROWER.—The term ‘qualified borrower’ means a borrower of a loan under this part, or a covered non-part D loan, for which the first disbursement was made, or the application for a consolidation loan was received, before January 1, 2026.

“(b) IN GENERAL.—Beginning on August 1, 2022, the Secretary shall carry out a program under which the Secretary makes interest-free refinancing loans to qualified borrowers in accordance with this section.

“(c) REFINANCING DIRECT LOANS.—

“(1) FEDERAL DIRECT LOANS.—

“(A) IN GENERAL.—Beginning on August 1, 2022, the Secretary shall cancel the obligation of a qualified borrower to repay a Federal
Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan for which the first disbursement was made, or the application for the consolidation loan was received, before January 1, 2025, and issue to such borrower in accordance with this section a refinanced Federal Direct Stafford Loan, a refinanced Federal Direct Unsubsidized Stafford Loan, a refinanced Federal Direct PLUS Loan, or a refinanced Federal Direct Consolidation Loan, respectively, in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the original loan.

“(B) INFORMATION.—The Secretary shall notify each qualified borrower of a loan refinanced under subparagraph (A) regarding the refinancing and the benefits the refinancing provides to the qualified borrower.

“(2) REFINANCING COVERED NON-PART D LOANS AS REFINANCED FEDERAL DIRECT LOANS.—
Upon application of a qualified borrower of any covered non-part D loan, 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 holder of the covered non-part D loan, in order to discharge the borrower from any remaining obligation with respect to the original loan.

“(B) Any Federal student loan made under this section the proceeds of which are used to discharge a loan that was made, insured, or guaranteed—

“(i) under section 428 shall be a Federal Direct Stafford Loan;

“(ii) under section 428B shall be a Federal Direct PLUS Loan;

“(iii) under section 428H shall be a Federal Direct Unsubsidized Stafford Loan; and

“(iv) under section 428C shall be a Federal Direct Consolidation Loan.

“(C) Any Federal student loan made under this section the proceeds of which are used to discharge a loan described subparagraph (B) or (C) of subsection (a)(1) shall be a Federal Direct Consolidation Loan.
“(3) APPLICATION DEADLINE.—To be eligible to receive a refinancing loan under paragraph (2) a qualified borrower shall submit an application to the Secretary during the covered period. A borrower who submits an application after the expiration of the covered period shall not eligible to receive a refinancing loan under such paragraph.

“(d) TERMS AND CONDITIONS OF LOANS.—

“(1) IN GENERAL.—A loan made under this section shall have the same terms and conditions as the original loan, except as otherwise provided in this section.

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

“(3) NO AUTOMATIC EXTENSION OF REPAYMENT PERIOD.—A loan made 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)(3).

“(4) SPECIAL RULE FOR REFINANCED PERKINS AND HEALTH LOANS.—Notwithstanding paragraph
(1), in the case of a loan that is made under this section as a Federal Direct Consolidation Loan the proceeds of which are used to discharge a loan described in subparagraph (B) or (C) of subsection (a)(1)—

“(A) the refinanced Federal Direct Consolidation Loan shall have the same terms and conditions as a Federal Direct Consolidation Loan, except as otherwise provided in this section; and

“(B) the Secretary may adjust such terms and conditions as necessary to enable the borrower to access loan forgiveness or other benefits available to the borrower under the loan before refinancing under this section, in any case where such benefits are more generous than provided under a Federal Direct Consolidation Loan.

“(5) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to prevent a borrower of a Federal student loan described in subparagraph (B) or (C) of subsection (a)(1) from consolidating such loans with other loans eligible for consolidation under this section, or to require such a borrower to consolidate such loans with other Federal student loans.
loans into a single consolidation loan under this section.

“(e) 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 covered non-part D 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 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. 460B. TEMPORARY PROGRAM FOR REFINANCING OF PRIVATE EDUCATION LOANS.

“(a) Definitions.—In this section:

“(1) Covered period.—The term ‘covered period’ means the period beginning on August 1, 2022, and ending at the close of December 31, 2025.

“(2) 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 January 1, 2026; 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.

“(3) Federal Direct Refinanced Private Loan.—The term ‘Federal Direct Refinanced Private Loan’ means a loan issued under subsection (b)(1).

“(4) Private Educational Lender.—The term ‘private educational lender’ has the meaning given that term in section 140(a) of the Truth in Lending Act (15 U.S.C. 1650(a)).

“(5) Qualified Borrower.—The term ‘qualified borrower’ means an individual who has an eligible private education loan.

“(b) Program Authorized.—

“(1) In general.—Beginning on August 1, 2022, 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 information and counseling required under clauses (i) through (ix) 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 Federal Direct Refinanced Private Loan, which shall have the same terms, conditions,
1 and benefits as a Federal Direct Unsubsidized
2 Stafford Loan, except as otherwise provided in
3 this section.
4
5 “(2) **Private educational lenders.**—Not later than August 1, 2022, the Secretary, in con-
6 sultation with the Secretary of the Treasury and the
7 Director of the Bureau of Consumer Financial Pro-
8 tection, shall establish eligibility requirements to
9 preclude windfall profits for private educational
10 lenders.

11 “(c) **Application Deadline.**—To be eligible to re-
12 ceive a Federal Direct Refinanced Private Loan under this
13 section a qualified borrower shall submit an application
14 to the Secretary during the covered period. A borrower
15 who submits an application after the expiration of the cov-
16 ered period shall not be eligible to receive a Federal Direct
17 Refinanced Private Loan under this section.

18 “(d) **Interest Rate.**—No interest shall accrue on
19 a Federal Direct Refinanced Private Loan under this sec-
20 tion.

21 “(e) **No Inclusion in Aggregate Limits.**—The
22 amount of a Federal Direct Refinanced Private Loan, or
23 a Federal Direct Consolidated Loan to the extent such
24 loan was used to repay a Federal Direct Refinanced Pri-
25 vate Loan, shall not be included in calculating a bor-
rower’s annual or aggregate loan limits under section 428 or 428H.

“(f) Special Rule for Eligibility for Service-related Repayment.—Notwithstanding sections 428K(a)(2), 428L(b)(2), 455(m)(3)(A), and 460(b), a Federal Direct Refinanced Private Loan shall be eligible for any loan repayment or loan forgiveness program under section 428K, 428L, or 460, or for the repayment plan for public service employees under section 455(m), but only with respect to any balance due, payments made, or service completed, after the date on which such Federal Direct Refinanced Private Loan was issued.

“(g) Private Educational Lender Reporting Requirement.—

“(1) Reporting required.—Not later than August 1, 2022, 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 private educational lenders 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 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.
“(h) 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.”.

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

“(9) SPECIAL RULE FOR REFINANCED LOANS.—For purposes of paragraph (7), the period of time during which a borrower of a loan that is refinanced under section 460A or 460B has made monthly payments shall be calculated in the manner described in section 493C(f) for the applicable type of loan.”.

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

“(f) SPECIAL RULE FOR REFINANCED LOANS.—

“(1) REFINANCED FEDERAL DIRECT, FFEL, AND PLUS LOANS.—In calculating the period of time during which a borrower of a loan (with the exception of a Federal Direct Consolidation Loan) that is
refinanced under section 460A has made monthly payments for purposes of subsection (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 refinanced loan, that otherwise meet the requirements of this section.

“(2) Refinanced Federal Direct Consolidation Loans.—In calculating the period of time during which a borrower of a Federal Direct Consolidation Loan that is refinanced under section 460A has made monthly payments for the purposes of subsection (b)(7), the Secretary shall—

“(A) review the borrower’s payment history to identify each component loan of such Federal Direct Consolidation Loan;

“(B) for each such component loan—

“(i) calculate the weighted factor of the component loan, which shall be the factor that represents the portion of such Federal Direct Consolidation Loan that is attributable to such component loan; and

“(ii) determine the number of qualifying monthly payments made on such component loan before consolidation;
“(C) calculate the number of qualifying monthly payments determined under subparagraph (B)(ii) with respect to a component loan that shall be deemed as qualifying monthly payments made on the Federal Direct Consolidation Loan by multiplying—

“(i) the weighted factor of such component loan as determined under subparagraph (B)(i); by

“(ii) the number of qualifying monthly payments made on such component loan as determined under subparagraph (B)(ii); and

“(D) calculate and inform the borrower of the total number of qualifying monthly payments with respect to the component loans of the Federal Direct Consolidation Loan that shall be deemed as qualifying monthly payments made on the refinanced Federal Consolidation Loan, by—

“(i) adding together the result of each calculation made under subparagraph (C) with respect to each such component loan; and
“(ii) rounding the number determined under clause (i) to the nearest whole number.

“(3) **Federal direct refinanced private loans.**—In calculating the period of time during which a borrower of a Federal Direct Refinanced Private Loan under section 460B has made monthly payments for purposes of subsection (b)(7), the Secretary shall include only payments—

“(A) that are made after the date of the issuance of the Federal Direct Refinanced Private Loan; and

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

“(4) **Component loan defined.**—In this subsection, the term ‘component loan’, used with respect to a Federal Direct Consolidation Loan, means a loan for which the liability was discharged by the proceeds of such Federal Direct Consolidation Loan.”.

(e) **Conforming amendments.**—The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(A) by striking “or” at the end of item (bb); (B) by striking the period at the end of item (cc) and inserting “; or”; and (C) by adding at the end the following:

“(dd) for the purpose of obtaining a refinancing loan under section 460A.”;

(2) in section 428J(c)(2) (20 U.S.C. 1078–10(c)(2)), by inserting “a Federal Direct Refinanced Private Loan,” after “a Federal Direct Unsubsidized Stafford Loan,”;

(3) in section 455 (20 U.S.C. 1087e)—

(A) in subsection (b), by striking “(b) INTEREST RATE.—” and inserting the following:

“(b) INTEREST RATE.—Except as otherwise provided in sections 460A and 460B, the terms and conditions of interest for loans made under this part are as follows.”;

(B) in subsection (f)(1)(B), by inserting “a Federal Direct Refinanced Private Loan,” after “a Federal Direct Unsubsidized Stafford Loan,”;

(C) in subsection (m)(3)(A), by striking “or Federal Direct Unsubsidized Stafford Loan,” and inserting “Federal Direct Unsub-
sidized Stafford Loan, or Federal Direct Refinanced Private Loan,”; and

(4) in section 460 (20 U.S.C. 1087j)—

(A) in subsection (b), by striking “and Federal Direct Unsubsidized Stafford Loans” and inserting “Federal Direct Unsubsidized Stafford Loans, and Federal Direct Refinanced Private Loans”; and

(B) in subsection (e)—

(i) in paragraph (1), by striking “or a Federal Direct Unsubsidized Stafford Loan” and inserting “, a Federal Direct Unsubsidized Stafford Loan, or a Federal Direct Refinanced Private Loan”; and

(ii) in paragraph (2), by inserting “a Federal Direct Refinanced Private Loan,” after “a Federal Direct Unsubsidized Stafford Loan,.”