

119TH CONGRESS
1ST SESSION

H. R. 4862

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

IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2025

Mr. SCOTT of Virginia (for himself, Mr. SUBRAMANYAM, Ms. UNDERWOOD, Ms. MOORE of Wisconsin, and Mr. THANEDAR) introduced the following bill; which was referred to the Committee on Education and Workforce, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Lowering Obstacles
5 to Achievement Now Act” or the “LOAN Act”.

1 **SEC. 2. REPEAL.**

2 Subtitles A through F of title VIII of Public Law
 3 119–21 are repealed. The provisions of the Higher Edu-
 4 cation Act of 1965 (20 U.S.C. 1001 et seq.) amended by
 5 such subtitles are restored and revived as if such subtitles
 6 had not been enacted.

7 **SEC. 3. TABLE OF CONTENTS.**

8 The table of contents of this Act is as follows:

Sec. 1. Short title.
 Sec. 2. Repeal.
 Sec. 3. Table of contents.

TITLE I—FEDERAL PELL GRANTS

Sec. 101. Doubling Federal Pell Grants and providing all Federal Pell Grants through mandatory funding.
 Sec. 102. Providing increased Federal Pell Grants and other assistance for recipients of means-tested benefits.
 Sec. 103. Federal aid eligibility for dreamer students.
 Sec. 104. Restoring the total semesters of Federal Pell Grant eligibility.
 Sec. 105. Reducing financial aid penalties from satisfactory academic progress determinations.
 Sec. 106. Federal Pell Grants for graduate students.

TITLE II—AMENDMENTS TO TERMS AND CONDITIONS OF LOANS
 AND REPAYMENT PLANS

PART A—GENERAL TERMS AND CONDITIONS

Sec. 201. Subsidized loans for graduate and professional students.
 Sec. 202. Repeal of origination fees.
 Sec. 203. Prepayment amounts.
 Sec. 204. Default requirements.

PART B—ONE INCOME-CONTINGENT REPAYMENT PLAN AND ONE FIXED
 REPAYMENT PLAN

Sec. 211. Notification to borrowers.
 Sec. 212. New repayment plans.
 Sec. 213. Maximum repayment period for income-contingent repayment and income-based repayment.
 Sec. 214. Borrowers ineligible for loans.

PART C—AUTOMATIC ENROLLMENT IN THE INCOME-DRIVEN REPAYMENT
 PLAN FOR CERTAIN BORROWERS

Sec. 221. Notification and automatic enrollment procedures for borrowers who are delinquent on loans.

- Sec. 222. Notification and automatic enrollment procedures for borrowers who are rehabilitating defaulted loans.
- Sec. 223. Covered loan and non-covered loan defined.
- Sec. 224. Automatic recertification of income for income-driven repayment plans.
- Sec. 225. Procedure and requirement for requesting tax return information from the IRS.

PART D—STREAMLINING PUBLIC SERVICE LOAN FORGIVENESS

- Sec. 231. Amendments to terms and conditions of public service loan forgiveness.
- Sec. 232. Terms and conditions of employment.
- Sec. 233. Online portal and database of public service jobs.
- Sec. 234. Treatment of consolidated and refinanced loans.
- Sec. 235. Loan forgiveness for teachers.
- Sec. 236. GAO study on data matching agreements for public service loan forgiveness.

PART E—SUPPORT FOR BORROWERS IN DEFAULT

- Sec. 241. Removal of record of default.
- Sec. 242. Removal of record of default from credit history upon loan consolidation.
- Sec. 243. Default reduction program.

TITLE III—INTEREST CAPITALIZATION

- Sec. 301. Elimination of interest capitalization.
- Sec. 302. Elimination of disclosure requirements relating to capitalization.

TITLE IV—INTEREST RATES

- Sec. 401. Interest rate provisions for new Federal student loans on or after July 1, 2026.
- Sec. 402. Refinancing FFEL and Federal Direct Loans.
- Sec. 403. Refinancing private student loans.

TITLE I—FEDERAL PELL GRANTS

SEC. 101. DOUBLING FEDERAL PELL GRANTS AND PRO- VIDING ALL FEDERAL PELL GRANTS THROUGH MANDATORY FUNDING.

(a) AMOUNT OF MINIMUM FEDERAL PELL
GRANTS.—Section 401 of the Higher Education Act of
1965 (20 U.S.C. 1070a) is amended—

1 (1) in subsection (a)(2)(F), by striking “10 per-
2 cent” and inserting “5 percent”;

3 (2) in subsection (b)—

4 (A) in paragraph (1)(B)(i), by striking
5 “paragraph (5)(A)” and inserting “paragraph
6 (5)”;

7 (B) by striking paragraph (5) and insert-
8 ing the following:

9 “(5) TOTAL MAXIMUM FEDERAL PELL
10 GRANT.—

11 “(A) AWARD YEAR 2026–2027.—For award
12 year 2026–2027, the total maximum Federal
13 Pell Grant award shall be \$10,000.

14 “(B) AWARD YEAR 2027–2028.—For award
15 year 2027–2028, the total maximum Federal
16 Pell Grant award shall be \$11,000.

17 “(C) AWARD YEAR 2028–2029.—For award
18 year 2028–2029, the total maximum Federal
19 Pell Grant award shall be \$12,000.

20 “(D) AWARD YEAR 2029–2030.—For award
21 year 2029–2030, the total maximum Federal
22 Pell Grant award shall be \$13,000.

23 “(E) AWARD YEAR 2030–2031.—For award
24 year 2030–2031, the total maximum Federal
25 Pell Grant award shall be \$14,000.

1 “(F) AWARD YEAR 2031–2032 AND SUBSE-
2 QUENT YEARS.—For award year 2031–2032,
3 and each subsequent award year, the total max-
4 imum Federal Pell Grant award shall be
5 \$14,000—

6 “(i) increased by the adjustment per-
7 centage for the award year for which the
8 amount under this subparagraph is being
9 determined; and

10 “(ii) rounded to the nearest \$50.

11 “(G) DEFINITION OF ADJUSTMENT PER-
12 CENTAGE.—In this paragraph, the term ‘adjust-
13 ment percentage,’ as applied to an award year,
14 is equal to the percentage increase in the Con-
15 sumer Price Index, as defined in section 478(f),
16 for the most recent calendar year ending prior
17 to the beginning of the award year.”;

18 (C) by striking paragraphs (6) and (7) and
19 inserting the following:

20 “(6) APPROPRIATION OF FUNDS.—There are
21 authorized to be appropriated, and there are appro-
22 priated, out of any money in the Treasury not other-
23 wise appropriated, such sums as may be necessary
24 for fiscal year 2026 and each subsequent fiscal year
25 to provide the total maximum Federal Pell Grant for

which a student shall be eligible under this section during an award year.”; and

(D) by redesignating paragraphs (8) and (9) as paragraphs (7) and (8), respectively; (3) in subsection (d)(5)(B)(ii)—

(A) in subclause (I)(bb), by striking “or” after the semicolon;

(B) in subclause (II)(bb)(CC), by striking the period and inserting “; or”; and

(C) by adding at the end the following:

“(III) during a period for which the student did not receive a loan under this title but for which, if the student had received such a loan, such loan would have been discharged under the circumstances described in subclause (II)(bb)(CC).”;

(4) by striking subsections (g) and (h); and

(5) by redesignating subsections (i) and (j) as subsections (g) and (h), respectively.

(b) REPEAL OF SCORING REQUIREMENT.—

(1) IN GENERAL.—Section 406 of H. Con. Res. 95 (109th Congress) is amended—

(A) by striking subsection (b); and

1 (B) by striking “(a) IN GENERAL.—Upon”
 2 and inserting the following: “Upon”.

3 (2) EFFECTIVE DATE.—The amendments made
 4 by paragraph (1) shall take effect beginning on July
 5 1, 2026.

6 (c) STUDENT SUPPORT SERVICES.—Section
 7 402D(d)(1) of the Higher Education Act of 1965 (20
 8 U.S.C. 1070a–14(d)(1)) is amended by striking “the min-
 9 imum” and inserting “10 percent of the maximum”.

10 (d) SCHOLARSHIP COMPONENT.—Section 404E(d) of
 11 the Higher Education Act of 1965 (20 U.S.C. 1070a–
 12 25(d)) is amended by striking “less than the minimum”
 13 and inserting “less than 10 percent of the maximum”.

14 **SEC. 102. PROVIDING INCREASED FEDERAL PELL GRANTS**
 15 **AND OTHER ASSISTANCE FOR RECIPIENTS**
 16 **OF MEANS-TESTED BENEFITS.**

17 (a) INCREASED AMOUNT OF MAXIMUM FEDERAL
 18 PELL GRANTS FOR STUDENTS WITH NEGATIVE STU-
 19 DENT AID INDEXES.—Section 401(b)(1) of the Higher
 20 Education Act of 1965 (20 U.S.C. 1070a(b)(1)), as
 21 amended by section 101 of this Act, is amended—

22 (1) in subparagraph (A)—

23 (A) in the matter preceding clause (i), by
 24 striking “A student” and inserting “Except in

1 the case of a student with a student aid index
2 of less than zero, a student”;

3 (B) by striking clause (i); and

4 (C) by redesignating clauses (ii) and (iii)
5 as clauses (i) and (ii), respectively;

6 (2) by redesignating subparagraphs (B)
7 through (E) as subparagraphs (C) through (F), re-
8 spectively;

9 (3) by inserting after subparagraph (A) the fol-
10 lowing:

11 “(B) A student with a student aid index of
12 less than zero shall be eligible for a Federal
13 Pell Grant award that exceeds the total max-
14 imum Federal Pell Grant by an amount equal
15 to the amount by which the student’s student
16 aid index is less than zero.”;

17 (4) in subparagraph (C), as redesignated by
18 paragraph (2)—

19 (A) in the matter preceding clause (i), by
20 striking “subparagraph (A) for an academic
21 year,” and inserting “subparagraph (A), or an
22 increased Federal Pell Grant under subpara-
23 graph (B), for an academic year,”; and

24 (B) in clause (ii), by striking “, except that
25 a student aid index of less than zero shall be

1 considered to be zero for the purposes of this
2 clause”;

3 (5) in subparagraph (D), as redesignated by
4 paragraph (2), by striking “(A) or (B)” and insert-
5 ing “(A), (B), or (C)”;

6 (6) in subparagraph (E), as redesignated by
7 paragraph (2), by inserting “or an increased Federal
8 Pell Grant under subparagraph (B)” after “subpara-
9 graph (A)”;

10 (7) in subparagraph (F), as redesignated by
11 paragraph (2), by striking “or a minimum Federal
12 Pell Grant under subparagraph (C)” and inserting
13 “an increased Federal Pell Grant under subpara-
14 graph (B), or a minimum Federal Pell Grant under
15 subparagraph (D)”.

16 (b) SPECIAL STUDENT AID INDEX RULE FOR RE-
17 CIPIENTS OF MEANS-TESTED BENEFITS.—Section 473 of
18 the Higher Education Act of 1965 (20 U.S.C. 1087mm)
19 is amended by adding at the end the following:

20 “(d) SPECIAL RULE FOR MEANS-TESTED BENEFIT
21 RECIPIENTS.—Notwithstanding subsection (b), for an ap-
22 plicant (or, as applicable, an applicant and spouse, or an
23 applicant’s parents) who, at any time during the previous
24 24-month period, received a benefit under a means-tested
25 Federal benefit program (or whose parent or spouse re-

1 ceived such a benefit, as applicable), the Secretary shall
 2 for the purposes of this title consider the student aid index
 3 as equal to −\$1,500 for the applicant.”.

4 **SEC. 103. FEDERAL AID ELIGIBILITY FOR DREAMER STU-**
 5 **DENTS.**

6 Section 484 of the Higher Education Act of 1965 (20
 7 U.S.C. 1091) is amended—

8 (1) in subsection (a)(5), by inserting “, or be a
 9 Dreamer student, as defined in subsection (u)” after
 10 “becoming a citizen or permanent resident”; and

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

12 “(u) DREAMER STUDENTS.—

13 “(1) IN GENERAL.—In this section, the term
 14 ‘Dreamer student’ means an individual who—

15 “(A)(i) is not a citizen or national of the
 16 United States; and

17 “(ii) is inadmissible or deportable under
 18 the Immigration and Nationality Act (8 U.S.C.
 19 1101 et seq.); and

20 “(B)(i) in the case of such an individual
 21 who was younger than 18 years of age on the
 22 date on which the individual initially entered
 23 the United States—

24 “(I) has earned a high school diploma,
 25 the recognized equivalent of such diploma

1 from a secondary school, or a high school
2 equivalency diploma recognized by State
3 law, or is scheduled to complete the re-
4 quirements for such a diploma or equiva-
5 lent before the next academic year begins;

6 “(II) is enrolled at an institution of
7 higher education pursuant to subsection
8 (d);

9 “(III) has served in the uniformed
10 services (as such term is defined in section
11 101 of title 10, United States Code) for
12 not less than 2 years and, if discharged,
13 received an honorable discharge;

14 “(IV) has acquired a degree, certifi-
15 cate, or recognized postsecondary creden-
16 tial from an institution of higher education
17 or area career and technical education
18 school (as such term is defined in section
19 3 of the Carl D. Perkins Career and Tech-
20 nical Education Act of 2006 (20 U.S.C.
21 2302)); or

22 “(V) has completed not less than 2
23 years in a postsecondary program at an in-
24 stitution of higher education, or area ca-
25 reer and technical education school, in the

1 United States and has made satisfactory
2 academic progress, as defined in subsection
3 (c), during such time period; or

4 “(ii)(I) is, or at any time was, eligible for
5 a grant of deferred action pursuant to—

6 “(aa) the memorandum of the De-
7 partment of Homeland Security entitled
8 ‘Exercising Prosecutorial Discretion with
9 Respect to Individuals Who Came to the
10 United States as Children’ issued on June
11 15, 2012; or

12 “(bb) the memorandum of the De-
13 partment of Homeland Security entitled
14 ‘Exercising Prosecutorial Discretion with
15 Respect to Individuals Who Came to the
16 United States as Children and with Re-
17 spect to Certain Individuals Who Are the
18 Parents of U.S. Citizens or Permanent
19 Residents’ issued on November 20, 2014;
20 or

21 “(II) would have been eligible for such a
22 grant of deferred action if the applicable memo-
23 randum described in subclause (I) had been
24 fully in effect since the date on which it was
25 issued.

1 “(2) **HARDSHIP EXCEPTION.**—The Secretary
 2 shall issue regulations that direct when the Depart-
 3 ment shall waive the age requirement of paragraph
 4 (1)(B)(i) for an individual to qualify as a Dreamer
 5 student under such paragraph, if the individual dem-
 6 onstrates compelling circumstances, such as eco-
 7 nomic hardship (as defined in section 435(o)).”.

8 **SEC. 104. RESTORING THE TOTAL SEMESTERS OF FEDERAL**
 9 **PELL GRANT ELIGIBILITY.**

10 Section 401(d)(5)(A) of the Higher Education Act of
 11 1965 is amended by striking “12” each place the term
 12 appears and inserting “18”.

13 **SEC. 105. REDUCING FINANCIAL AID PENALTIES FROM SATIS-**
 14 **FACTORY ACADEMIC PROGRESS DETER-**
 15 **MINATIONS.**

16 Section 484(c) of the Higher Education Act of 1965
 17 (20 U.S.C. 1091(c)) is amended to read as follows:

18 “(c) **SATISFACTORY PROGRESS.**—

19 “(1) **DEFINITIONS.**—In this subsection:

20 “(A) **APPEAL.**—The term ‘appeal’ means a
 21 process by which a student who is not meeting
 22 the institution’s satisfactory academic progress
 23 standards petitions the institution for reconsid-
 24 eration of the student’s eligibility for assistance
 25 under this title.

1 “(B) FINANCIAL AID PROBATION.—The
2 term ‘financial aid probation’ means a status
3 assigned by an institution to a student who fails
4 to make satisfactory academic progress and
5 who has appealed and has had eligibility for aid
6 reinstated.

7 “(C) FINANCIAL AID WARNING.—The term
8 ‘financial aid warning’ means a status assigned
9 to a student who fails to make satisfactory aca-
10 demic progress at the end of the semester or
11 equivalent period in which the student first fails
12 to make such progress.

13 “(D) PAYMENT PERIOD.—The term ‘pay-
14 ment period’ means the applicable payment pe-
15 riod described in section 668.4 of title 34, Code
16 of Federal Regulations, or any successor regula-
17 tion.

18 “(2) SATISFACTORY ACADEMIC PROGRESS POL-
19 ICY.—An institution shall establish a reasonable sat-
20 isfactory academic progress policy for determining
21 whether an otherwise eligible student is making sat-
22 isfactory academic progress in the student’s edu-
23 cational program and may receive assistance under
24 this title. The Secretary shall consider the institu-
25 tion’s policy to be reasonable if—

1 “(A) the policy is at least as strict as the
2 policy the institution applies to a student who
3 is not receiving assistance under this title;

4 “(B) the policy provides for consistent ap-
5 plication of standards to all students, including
6 full-time, part-time, undergraduate, and grad-
7 uate students, and all educational programs es-
8 tablished by the institution;

9 “(C)(i) the policy specifies the grade point
10 average that a student must achieve at each
11 evaluation, or if a grade point average is not an
12 appropriate qualitative measure, a comparable
13 assessment measured against a norm; and

14 “(ii) if a student is enrolled in an edu-
15 cational program of more than 2 academic
16 years, the policy specifies that at the end of the
17 second academic year, the student must have a
18 grade point average of at least a ‘C’ or its
19 equivalent, or have academic standing con-
20 sistent with the institution’s requirements for
21 graduation;

22 “(D) the policy provides for measurement
23 of the student’s progress at each evaluation;

24 “(E) the policy describes—

1 “(i) how a student’s grade point aver-
2 age and the pace at which the student pro-
3 gresses toward completion are affected by
4 course incompletes, withdrawals, or repeti-
5 tions, or transfers of credit from other in-
6 stitutions, including that credit hours from
7 another institution that are accepted to-
8 ward the student’s educational program
9 are counted as both attempted and com-
10 pleted hours; and

11 “(ii) how after a student reenrolls
12 after the student’s satisfactory academic
13 progress was reset pursuant to paragraph
14 (3)(B), the student may have any credits
15 that were earned before the student was
16 determined not to be making satisfactory
17 academic progress counted for purposes of
18 determining progress when the student re-
19 enrolls, but any attempted hours that were
20 not earned by the student (including in-
21 completes, withdrawn courses, and failed
22 courses) before the student was determined
23 not to be making satisfactory academic
24 progress will not negatively impact the de-
25 termination of whether the student made

1 satisfactory academic progress after such
2 reset;

3 “(F) the policy provides that, except as
4 provided in subparagraph (G) with respect to a
5 student placed on financial aid warning or fi-
6 nancial aid probation and paragraph (3), a stu-
7 dent is no longer eligible to receive assistance
8 under this title if the student has not achieved
9 the required grade point average or who is not
10 making progress toward completion in the stu-
11 dent’s educational program—

12 “(i) at the time of each evaluation
13 with respect to a student who is in an edu-
14 cational program of 2 academic years or
15 less in length; or

16 “(ii) at the end of the second aca-
17 demic year with respect to a student who
18 is in an educational program of more than
19 2 academic years in length;

20 “(G) the policy describes when students
21 will be placed on financial aid warning or finan-
22 cial aid probation, in accordance with para-
23 graph (4), and provides that—

24 “(i) a student on financial aid warn-
25 ing—

1 “(I) shall receive assistance
2 under this title for one payment pe-
3 riod despite a determination that the
4 student is not making satisfactory
5 academic progress; and

6 “(II) may be assigned such sta-
7 tus without an appeal or other action
8 by the student; and

9 “(ii)(I) a student on financial aid pro-
10 bation may receive assistance under this
11 title for one payment period and the insti-
12 tution may require the student to fulfill
13 specific terms and conditions, such as tak-
14 ing a reduced course load or enrolling in
15 specific courses; and

16 “(II) at the end of such one payment
17 period, the student is required to meet the
18 institution’s satisfactory academic progress
19 standards, or meet the requirements of the
20 academic plan developed by the institution
21 and the student, in order to qualify for
22 continued assistance under this title;

23 “(H) if the institution permits a student to
24 appeal a determination by the institution that

1 the student is not making satisfactory academic
2 progress, the policy describes—

3 “(i) how the student may reestablish
4 the student’s eligibility to receive assist-
5 ance under this title;

6 “(ii) the basis on which the student
7 may file an appeal, including because of
8 the death of a relative, an injury or illness
9 of the student, or another special cir-
10 cumstance; and

11 “(iii) information the student is re-
12 quired to submit regarding why the stu-
13 dent failed to make satisfactory academic
14 progress, and what has changed in the stu-
15 dent’s situation that will allow the student
16 to demonstrate satisfactory academic
17 progress at the next evaluation;

18 “(I) if the institution does not permit a
19 student to appeal a determination by the insti-
20 tution that the student is not making satisfac-
21 tory academic progress, the policy describes
22 how the student may reestablish the student’s
23 eligibility to receive assistance under this title;

24 “(J) the policy provides for notification to
25 students of the results of an evaluation that im-

1 pacts the student's eligibility for assistance
2 under this title; and

3 “(K) the policy does not impose satisfac-
4 tory progress limitations on need-based institu-
5 tional aid that are more stringent than the
6 standard applied under this subsection without
7 demonstrating to the Secretary the effectiveness
8 of such limitations on improving student per-
9 sistence in, and completion of, postsecondary
10 study.

11 “(3) REGAINING ELIGIBILITY.—

12 “(A) STUDENTS WHO REMAIN IN
13 SCHOOL.—Whenever a student fails to meet the
14 eligibility requirements of subsection (a)(2) as a
15 result of the application of this subsection and,
16 subsequent to that failure, the student has aca-
17 demic standing for any grading period con-
18 sistent with the requirements for staying on
19 track to graduate within 150 percent of the
20 published length of the educational program, as
21 determined by the institution, the student shall
22 again be eligible under subsection (a)(2) for a
23 grant, loan, or work assistance under this title,
24 as long as the student maintains satisfactory
25 academic progress under paragraph (2) begin-

ning on and after the date that the student re-
gains eligibility.

“(B) STUDENTS WHO LEAVE SCHOOL.—

“(i) IN GENERAL.—If a student has
not been enrolled in any institution of
higher education for the immediately pre-
ceding 2 years, any previous failure to
meet the eligibility requirements of sub-
section (a)(2) shall not be used in any de-
termination of eligibility of such student
under such subsection. Such student shall,
on the date of enrollment subsequent to
such 2-year period, have the student’s eli-
gibility for a grant, loan, or work assist-
ance under this title reset and be deemed
as meeting the requirements described in
paragraph (2). Beginning on and after
such date, the student’s satisfactory aca-
demic progress shall be determined in ac-
cordance with paragraph (2)(E)(ii).

“(ii) MAXIMUM NUMBER OF
RESETS.—A student shall be eligible for a
reset of eligibility pursuant to this sub-
paragraph not more than 2 times.

1 “(C) DUTIES OF THE SECRETARY.—The
2 Secretary shall—

3 “(i) send, to each student who failed
4 to meet the eligibility requirements of sub-
5 section (a)(2) and who has not regained
6 eligibility for a grant, loan, or work assist-
7 ance under subparagraph (A), a notice,
8 two years after such failure, that in-
9 cludes—

10 “(I) a notification that, if the
11 student has not been enrolled in any
12 institution of higher education for the
13 preceding two years and has not re-
14 ceived two resets of eligibility under
15 subparagraph (B), the student may
16 use grant, loan, or work assistance
17 under this title for enrollment at any
18 eligible institution, including an insti-
19 tution other than the institution in
20 which the student was previously en-
21 rolled;

22 “(II) a notification that, if the
23 student has remained enrolled, or re-
24 sumed enrollment, at an institution of
25 higher education, the student may be

1 eligible for a grant, loan, or work as-
2 sistance under this title subject to the
3 requirements of subparagraph (A);

4 “(III) information on how many
5 semesters of eligibility for a grant,
6 loan, or work assistance under this
7 title to which the student still has ac-
8 cess; and

9 “(IV) a notification that the stu-
10 dent should ask any prospective eligi-
11 ble institution how many of the stu-
12 dent’s previously completed credits the
13 student would be able to transfer; and

14 “(ii) submit an annual report to Con-
15 gress on the outcomes of students who
16 have received a reset of eligibility pursuant
17 to this paragraph, including—

18 “(I) the number of students who
19 reenroll in an eligible institution after
20 such reset, disaggregated by race or
21 ethnicity, sex, age, socioeconomic sta-
22 tus, and disability status;

23 “(II) the 250 eligible institutions
24 with the highest numbers of enrolled
25 students receiving grant, loan, or

1 work assistance under this title after
2 such a reset;

3 “(III) the 250 eligible institu-
4 tions with the highest share of en-
5 rolled students receiving grant, loan,
6 or work assistance under this title
7 after such a reset; and

8 “(IV) the average completion
9 rate and time to completion for stu-
10 dents who reenroll in an eligible insti-
11 tution after such reset, disaggregated
12 by institution.

13 “(4) EVALUATION OF ACADEMIC PROGRESS.—

14 “(A) IN GENERAL.—An institution that
15 determines that a student is not making satis-
16 factory academic progress under its policy may
17 disburse funds provided through student finan-
18 cial assistance programs under this title (in-
19 cluding work-study programs under subtitle C)
20 to the student in accordance with subpara-
21 graphs (B), (C), and (D).

22 “(B) PAYMENT PERIOD FOLLOWING NOT
23 MAKING SATISFACTORY ACADEMIC PROGRESS.—
24 For the payment period following the payment
25 period in which a student did not make satis-

1 factory academic progress, the institution shall
2 place the student on financial aid warning and
3 disburse funds under this title to the student.

4 “(C) PAYMENT PERIOD FOLLOWING FI-
5 NANCIAL AID WARNING.—For the payment pe-
6 riod following a payment period during which a
7 student was on financial aid warning, the insti-
8 tution may place the student on financial aid
9 probation, and disburse funds under this title to
10 the student if—

11 “(i) the institution evaluates the stu-
12 dent’s progress and determines that stu-
13 dent did not make satisfactory academic
14 progress during the payment period the
15 student was on financial aid warning;

16 “(ii) the student appeals the deter-
17 mination; and

18 “(iii)(I) the institution determines
19 that the student should be able to meet the
20 institution’s satisfactory academic progress
21 standards by the end of the subsequent
22 payment period; or

23 “(II) the institution develops an aca-
24 demic plan for the student that, if fol-
25 lowed, will ensure that the student is able

1 to meet the institution's satisfactory aca-
2 demic progress standards by a specific
3 point in time.

4 “(D) PAYMENT PERIOD FOLLOWING FI-
5 NANCIAL AID PROBATION.—A student on finan-
6 cial aid probation for a payment period may not
7 receive funds under this title for the subsequent
8 payment period unless the student makes satis-
9 factory academic progress or the institution de-
10 termines that the student met the requirements
11 specified by the institution in the academic plan
12 for the student developed under subparagraph
13 (C)(iii)(II).

14 “(E) FREQUENCY OF ACADEMIC PROGRESS
15 EVALUATION AND COMMUNICATION.—

16 “(i) IN GENERAL.—Subject to clause
17 (ii), for the purpose of determining wheth-
18 er presently enrolled students are main-
19 taining satisfactory progress, each institu-
20 tion of higher education that enrolls stu-
21 dents who receive any grant, loan, or work
22 assistance under this title shall review the
23 progress of such students at the end of
24 each payment period.

1 “(ii) SHORTER PAYMENT PERIODS.—

2 For each institution described in clause (i)
3 that has payment periods that are shorter
4 than on the semester system basis (such as
5 on a quarterly or trimester system basis or
6 by clock hour program or non-term pro-
7 gram), such institution shall review the
8 progress of presently enrolled students at
9 the end of each semester or equivalent pe-
10 riod of 12 to 18 weeks.

11 “(iii) FINANCIAL AID WARNING.—At
12 the end of each payment period (or, in the
13 case of an institution described in clause
14 (ii), at the end of each semester or equiva-
15 lent period), each institution shall send a
16 financial aid warning to presently enrolled
17 students that do not meet the grade point
18 average requirement described in para-
19 graph (2), or its equivalent or academic
20 standing consistent with the requirements
21 for graduation, as determined by the insti-
22 tution, that informs the students of their
23 risk of being determined to not be main-
24 taining satisfactory progress and therefore
25 losing eligibility for grant, loan, or work

1 assistance under this title and provides in-
2 formation on—

3 “(I) the specific criteria of the in-
4 stitution’s academic requirements that
5 the student is not meeting and the
6 specific improvements needed to meet
7 the requirements; and

8 “(II) how to meet with the stu-
9 dent’s academic advisor to get the
10 academic support the student needs.

11 “(5) DETAILING REQUIREMENTS TO STU-
12 DENTS.—Each institution of higher education that
13 enrolls students who receive any grant, loan, or work
14 assistance under this title shall detail the institu-
15 tion’s requirements regarding students maintaining
16 satisfactory academic progress—

17 “(A) to such students before the students
18 begin classes at the institution through a de-
19 tailed communication that may be separate
20 from a financial aid offer; and

21 “(B) on the financial aid webpage of the
22 website of the institution.

23 “(6) CONSUMER TESTING.—The Secretary—

24 “(A) shall conduct consumer testing to de-
25 velop exemplary practices and templates—

1 “(i) to support institutions of higher
 2 education in carrying out paragraph (5);
 3 and

4 “(ii) which shall be available as re-
 5 sources for institutions of higher edu-
 6 cation; and

7 “(B) shall not require the use of such
 8 practices and templates by institutions of high-
 9 er education.”.

10 **SEC. 106. FEDERAL PELL GRANTS FOR GRADUATE STU-**
 11 **DENTS.**

12 Section 401 of the Higher Education Act of 1965 (20
 13 U.S.C. 1070a) is amended—

14 (1) in subsection (b)(8)(A), by inserting “or as
 15 a postbaccalaureate student in accordance with sub-
 16 section (d)(1)” after “as an undergraduate”; and

17 (2) in subsection (d)—

18 (A) by amending paragraph (1) to read as
 19 follows:

20 “(1) IN GENERAL.—The period during which a
 21 student may receive Federal Pell Grants shall be the
 22 period required for the completion of the first under-
 23 graduate baccalaureate course of study being pur-
 24 sued by that student at the institution at which the
 25 student is in attendance except that—

1 “(A) any 1-year period during which the
2 student is enrolled in a noncredit or remedial
3 course of study as defined in paragraph (2)
4 shall not be counted for the purpose of this
5 paragraph; and

6 “(B) the period during which a student
7 may receive Federal Pell Grants shall also in-
8 clude the period required for the completion of
9 the first postbaccalaureate course of study in a
10 case in which—

11 “(i) the student received a Federal
12 Pell Grant during the period required for
13 the completion of the student’s first under-
14 graduate baccalaureate course of study for
15 at least 1 but fewer than 18 semesters, or
16 the equivalent of at least 1 but fewer than
17 18 semesters, as determined under para-
18 graph (5);

19 “(ii) the student would otherwise be
20 eligible for a Federal Pell Grant, but for
21 the completion of such baccalaureate
22 course of study; and

23 “(iii) the period during which the stu-
24 dent receives Federal Pell Grants does not

1 exceed the student’s duration limits under
 2 paragraph (5).”; and

3 (B) in paragraph (2), by striking “or cer-
 4 tificate” and inserting “, certificate, or first
 5 postbaccalaureate degree”.

6 **TITLE II—AMENDMENTS TO**
 7 **TERMS AND CONDITIONS OF**
 8 **LOANS AND REPAYMENT**
 9 **PLANS**

10 **PART A—GENERAL TERMS AND CONDITIONS**

11 **SEC. 201. SUBSIDIZED LOANS FOR GRADUATE AND PROFES-**
 12 **SIONAL STUDENTS.**

13 Section 455(a)(3) of the Higher Education Act of
 14 1965 (20 U.S.C. 1087e(a)(3)) is amended—

15 (1) in subparagraph (A), in the matter pre-
 16 ceding clause (i), by striking “subparagraph (B)”
 17 and inserting “subparagraphs (B) and (C)”; and

18 (2) by adding at the end the following:

19 “(C) AUTHORITY TO MAKE INTEREST SUB-
 20 SIDIZED LOANS TO GRADUATE AND PROFES-
 21 SIONAL STUDENTS.—

22 “(i) IN GENERAL.—Beginning on or
 23 after July 1, 2026, a graduate or profes-
 24 sional student shall be eligible to receive a
 25 Federal Direct Stafford loan under this

part for a graduate or professional program at a covered institution of higher education.

“(ii) COVERED INSTITUTION OF HIGHER EDUCATION.—In this subparagraph, the term ‘covered institution of higher education’—

“(I) means an institution of higher education defined in section 101 or section 102(a)(1)(C); and

“(II) does not include a graduate medical school, nursing school, or a veterinary school, located outside the United States that does not meet the requirements of section 101(a)(4).”.

SEC. 202. REPEAL OF ORIGINATION FEES.

Section 455(c)(2) of the Higher Education Act of 1965 (20 U.S.C. 1087e(c)(2)) is amended—

(1) by striking “and” at the end of subparagraph (D); and

(2) by adding at the end the following:

“(E) by substituting ‘0.0 percent’ for ‘4.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2026.”.

1 **SEC. 203. PREPAYMENT AMOUNTS.**

2 Part G of title IV of the Higher Education Act of
3 1965 (20 U.S.C. 1088) is amended by adding at the end
4 the following:

5 **“SEC. 494A. PREPAYMENT AMOUNTS.**

6 “(a) PREPAYMENTS AUTHORIZED.—A borrower may
7 pay, without penalty, an amount in excess of the amount
8 due on an outstanding loan made under part B or D, and
9 such excess amount shall be referred to as a ‘prepayment
10 amount’ for purposes of this subsection. Except as pro-
11 vided in subsection (b) a prepayment amount shall be ap-
12 plied first toward the fees (including any collection costs
13 and authorized late charges) owed by the borrower on such
14 loan, next on outstanding principal, and then on out-
15 standing interest. If the prepayment amount exceeds the
16 monthly payment amount owed on such loan, the due date
17 of the next payment shall be advanced, unless the bor-
18 rower requests otherwise, and the Secretary shall notify
19 the borrower of such revised due date for the next pay-
20 ment.

21 “(b) APPLICATION OF PREPAYMENT AMOUNTS.—

22 “(1) BORROWERS WITHOUT FEE BALANCES.—

23 “(A) IN GENERAL.—Subject to subpara-
24 graph (B), with respect to a borrower who does
25 not owe an outstanding balance of fees (includ-
26 ing collection costs and authorized late charges)

1 on any loan made under part B or D, and who
2 makes a prepayment on 2 or more loans made
3 under this part—

4 “(i) if such loans have different appli-
5 cable rates of interest, the holder of such
6 loans shall apply the borrower’s prepay-
7 ment amount, first toward the outstanding
8 balance of principal due on the loan with
9 the highest applicable rate of interest
10 among such loans, next on any fees owed
11 on such loan, and then on outstanding in-
12 terest owed on such loan; or

13 “(ii) if such loans have the same ap-
14 plicable rates of interest, the holder of
15 such loans shall apply the borrower’s pre-
16 payment amount, first toward the out-
17 standing balance of principal due on the
18 loan with the highest principal balance
19 among such loans, next on any fees on
20 such loan, and then on outstanding inter-
21 est owed on such loan.

22 “(B) WRITTEN EXCEPTION.—A borrower
23 described in subparagraph (A) who does not
24 want prepayment amounts applied in the man-
25 ner described in clause (i) or (ii) of such sub-

1 paragraph shall provide to the Secretary, a
2 written request for a different application of
3 prepayment amounts.

4 “(2) BORROWERS WITH FEE BALANCES.—With
5 respect to a borrower who owes fees (which may in-
6 clude collection costs and authorized late charges) on
7 a loan made under part B or part D, a prepayment
8 amount made by the borrower shall be applied first
9 toward the fees (including any collection costs and
10 authorized late charges) owed by the borrower on
11 such loan, next on outstanding principal, and then
12 on outstanding interest.”.

13 **SEC. 204. DEFAULT REQUIREMENTS.**

14 Part G of title IV of the Higher Education Act of
15 1965 (20 U.S.C. 1088), as amended by the preceding sec-
16 tion, is further amended by adding at the end the fol-
17 lowing:

18 **“SEC. 494B. DEFAULT REQUIREMENTS.**

19 “(a) IN GENERAL.—If a borrower defaults on a loan
20 made under part B or D—

21 “(1) the entire unpaid balance and accrued in-
22 terest shall be immediately due and payable; and

23 “(2) the Secretary shall assess collection
24 charges.

1 “(b) COLLECTION OF A DEFAULTED LOAN.—The
 2 Secretary may, with respect to a borrower who defaults
 3 on a loan made under part B or D—

4 “(1) take any action authorized by law to col-
 5 lect such loan, including filing a lawsuit against the
 6 borrower, reporting the default to nationwide con-
 7 sumer reporting agencies, requesting the Internal
 8 Revenue Service to offset the borrower’s Federal in-
 9 come tax refund, and garnishing the borrower’s
 10 wages; and

11 “(2) may designate the Income-Driven Repay-
 12 ment Plan under section 455A(c) for the borrower.”.

13 **PART B—ONE INCOME-CONTINGENT REPAYMENT**

14 **PLAN AND ONE FIXED REPAYMENT PLAN**

15 **SEC. 211. NOTIFICATION TO BORROWERS.**

16 (a) IN GENERAL.—Beginning on the date of enact-
 17 ment of this Act, the Secretary of Education, in coordina-
 18 tion with the Director of the Consumer Financial Protec-
 19 tion Bureau, shall undertake a campaign to alert all bor-
 20 rowers of loans made under part D of title IV of the High-
 21 er Education Act of 1965 that they are eligible to change
 22 repayment plans and to enroll in one of the following re-
 23 payment plans:

1 (1) The fixed repayment plan under section
2 455A(b) of the Higher Education Act of 1965, as
3 added by section 212.

4 (2) The Income-Driven Repayment plan under
5 section 455A(c) of the Higher Education Act of
6 1965, as added by section 212.

7 (b) CAMPAIGN ACTIVITIES.—The campaign shall in-
8 clude the following activities:

9 (1) Developing consumer information materials
10 about the opportunity to change repayment plans
11 and to enroll in one of the repayment plans de-
12 scribed in paragraphs (1) and (2) of subsection (a).

13 (2) Requiring servicers of loans made under
14 part D of title IV of the Higher Education Act of
15 1965 to provide such consumer information to bor-
16 rowers in a manner determined appropriate by the
17 Secretary.

18 **SEC. 212. NEW REPAYMENT PLANS.**

19 (a) SUNSET OF REPAYMENT PLANS AVAILABLE BE-
20 FORE JULY 1, 2026.—Section 455(d)(1) of the Higher
21 Education Act of 1965 (20 U.S.C. 1087e(d)(1)) is amend-
22 ed, in the matter preceding subparagraph (A), by inserting
23 “, before July 1, 2026” after “may choose”.

24 (b) REPAYMENT PLANS AVAILABLE ON AND AFTER
25 JULY 1, 2026.—Part D of title IV of the Higher Edu-

1 cation Act of 1965 (20 U.S.C. 1087a et seq.) is amended
2 by inserting after section 455 the following:

3 **“SEC. 455A. REPAYMENT PLANS AVAILABLE ON AND AFTER**
4 **JULY 1, 2026.**

5 “(a) REPAYMENT PLANS FOR LOANS MADE ON OR
6 AFTER JULY 1, 2026.—

7 “(1) SUNSET OF REPAYMENT PLANS AVAIL-
8 ABLE BEFORE JULY 1, 2026.—Paragraphs (1)
9 through (5) of section 455(d) shall only apply to
10 loans made under this part before July 1, 2026.

11 “(2) PROHIBITIONS.—The Secretary may not,
12 for any loan made under this part on or after July
13 1, 2026—

14 “(A) authorize a borrower of such a loan
15 to repay such loan pursuant to a repayment
16 plan that is not described in paragraph (3); or

17 “(B) carry out or modify a repayment plan
18 that is not described in such paragraph.

19 “(3) DESIGN AND SELECTION.—Notwith-
20 standing section 455(d), beginning on July 1, 2026,
21 the Secretary shall offer a borrower of a loan made
22 under this part on or after such date (including a
23 Federal Direct Stafford Loan, a Federal Direct
24 PLUS Loan (including such a loan made on behalf
25 of a dependent student), a Federal Direct Consolida-

tion Loan (including such a loan that discharged the liability on a Federal Direct PLUS Loan made on behalf of a dependent student), and a Federal Direct Unsubsidized Stafford Loan) two plans for repayment of such loan in accordance with subsection (d), including principal and interest on the loan. The borrower shall be entitled to accelerate, without penalty, repayment on the borrower's loan under this part. The borrower may choose—

“(A) a fixed repayment plan under subsection (b); or

“(B) the Income-Driven Repayment Plan under subsection (c).

“(4) SELECTION BY SECRETARY.—If a borrower of a loan made under this part on or after July 1, 2026, does not select a repayment plan described in paragraph (3), the Secretary shall provide the borrower with the fixed repayment plan described in subsection (b).

“(5) SELECTION AVAILABLE FOR EACH NEW LOAN.—Each time a borrower receives a new loan made under this part on or after July 1, 2026, the borrower may select either the fixed repayment plan under subsection (b) or the Income-Driven Repayment Plan under subsection (c), which shall apply to

1 all such loans of the borrower in accordance with
2 paragraph (6).

3 “(6) SAME REPAYMENT PLAN REQUIRED.—

4 “(A) LOANS MADE ON OR AFTER JULY 1,
5 2026.—All loans made to a borrower under this
6 part on or after July 1, 2026, must be repaid
7 together under the same repayment plan.

8 “(B) LOANS MADE BEFORE AND ON OR
9 AFTER JULY 1, 2026.—A borrower with a loan
10 made under this part before July 1, 2026, and
11 with a loan made on or after July 1, 2026, (in-
12 cluding a Federal Direct PLUS loan made on
13 behalf of a dependent student made before, on,
14 or after such date) may repay such loans on
15 different repayment plans, provided that—

16 “(i) all such loans made on or after
17 July 1, 2026, are repaid under the same
18 repayment plan in accordance with sub-
19 paragraph (A); and

20 “(ii) all such loans made before July
21 1, 2026, are repaid under the repayment
22 plan that the borrower was enrolled in with
23 respect to each such loan on June 30,
24 2026.

1 “(7) PERMISSIBLE CHANGES OF REPAYMENT
2 PLAN.—

3 “(A) CHANGE FROM FIXED REPAYMENT
4 PLAN.—A borrower may change the borrower’s
5 selection of a fixed repayment plan under sub-
6 section (b), or the Secretary’s selection of such
7 plan for the borrower under paragraph (4), as
8 applicable, to the Income-Driven Repayment
9 Plan under subsection (c) at any time.

10 “(B) CHANGE FROM THE INCOME-DRIVEN
11 REPAYMENT PLAN.—A borrower may change
12 the borrower’s selection of the Income-Driven
13 Repayment Plan under subsection (c) to a fixed
14 repayment plan under subsection (b), provided
15 that the required fixed monthly payment
16 amount of the borrower under such plan is de-
17 termined based on—

18 “(i) the total amount of the out-
19 standing principal and interest and fees on
20 the loans of the borrower to be repaid
21 under such fixed plan, as of the date on
22 which the borrower’s change in selection
23 takes effect;

24 “(ii) the interest rates on such loans;
25 and

1 “(iii) the applicable repayment period
2 determined under subsection (b)(2).

3 “(8) TREATMENT OF BORROWERS WITH LOANS
4 MADE BEFORE JULY 1, 2026.—With respect to an
5 outstanding loan made under this part (including a
6 Federal Direct PLUS loan made on behalf of a de-
7 pendent student) before July 1, 2026, a borrower
8 with such a loan—

9 “(A) shall not be eligible to change the
10 borrower’s selection of a repayment plan under
11 paragraph (1) of section 455(d), or the Sec-
12 retary’s selection of a plan for the borrower
13 under paragraph (2) of such section, as applica-
14 ble, to another repayment plan under such
15 paragraph (1) on or after July 1, 2026;

16 “(B) may, at any time, change the bor-
17 rower’s selection of a repayment plan to a re-
18 payment plan described in paragraph (3); and

19 “(C) upon changing the borrower’s selec-
20 tion of a repayment plan in accordance with
21 subparagraph (B), shall make any such subse-
22 quent change in selection in accordance with
23 paragraphs (6) and (7).

24 “(b) FIXED REPAYMENT PLAN.—

1 “(1) IN GENERAL.—The fixed repayment plan
2 made available to borrowers in accordance with this
3 section shall be a repayment plan consistent with
4 subsection (a)(1) of section 455 and section
5 428(b)(9)(A)(i), except as expressly provided in this
6 subsection, with a fixed annual repayment amount
7 paid over a fixed period of time. Except as provided
8 in paragraph (3), the required fixed monthly pay-
9 ment amount of a borrower shall be determined
10 based on the total amount of the outstanding prin-
11 cipal and interest of the Federal Direct Loans of the
12 borrower to be repaid pursuant to such plan, the in-
13 terest rates on such loans, and the applicable repay-
14 ment period determined under this subsection.

15 “(2) APPLICABLE REPAYMENT PERIOD.—

16 “(A) DIRECT LOANS OTHER THAN CON-
17 SOLIDATION LOANS.—The applicable repayment
18 period of a Federal Direct loan under this part,
19 other than a Federal Direct Consolidation
20 Loan, shall be 10 years.

21 “(B) DIRECT CONSOLIDATION LOANS.—

22 The applicable repayment period for a Federal
23 Direct Consolidation loan made on or after July
24 1, 2026, repaid pursuant to a fixed repayment
25 plan with a total outstanding amount of prin-

1 cipal and interest on all of the borrower’s Fed-
2 eral Direct Loans, including such Consolidation
3 loan (as of the day before entering repayment
4 on such Consolidation loan) is—

5 “(i) less than \$7,500, shall be 10
6 years;

7 “(ii) equal to or greater than \$7,500
8 but less than \$10,000, shall be 12 years;

9 “(iii) equal to or greater than \$10,000
10 but less than \$20,000, shall be 15 years;

11 “(iv) equal to or greater than \$20,000
12 but less than \$40,000, shall be 20 years;

13 “(v) equal to or greater than \$40,000
14 but less than \$60,000, shall be 25 years;

15 and

16 “(vi) equal to or greater than
17 \$60,000, shall be 30 years.

18 “(C) MINIMUM PERIOD.—No fixed repay-
19 ment plan may require a borrower to repay a
20 loan in less than 10 years unless the borrower,
21 during the 6 months immediately preceding the
22 start of the repayment period, specifically re-
23 quests that repayment be made over a shorter
24 period.

1 “(3) MINIMUM MONTHLY PAYMENT.—The min-
2 imum monthly payment amount of a borrower under
3 a fixed repayment plan shall be \$50 per month, ex-
4 cept that the final payment of the borrower pursu-
5 ant to such plan may be less than \$50.

6 “(4) PERIODS OF DEFERMENT AND FORBEAR-
7 ANCE.—The fixed repayment plan period applicable
8 to a borrower shall not include periods when the bor-
9 rower is in authorized deferment or forbearance.

10 “(5) ADJUSTMENTS FOR VARIABLE INTEREST
11 RATES.—The number of payments or the fixed
12 monthly repayment amount may be adjusted to re-
13 flect changes in the variable interest rate identified
14 in section 685.202(a) of title 34, Code of Federal
15 Regulations (as in effect on July 1, 2026).

16 “(c) INCOME-DRIVEN REPAYMENT PLAN.—

17 “(1) TERMS AND CONDITIONS.—Notwith-
18 standing any other provision of this Act, beginning
19 on July 1, 2026, the Secretary shall carry out an in-
20 come-contingent repayment plan, to be known as the
21 ‘Income-Driven Repayment Plan’, that shall have
22 the following terms and conditions:

23 “(A) A borrower of any loan made under
24 this part may elect to have the borrower’s total
25 monthly payment amount owed for all of the

1 loans of the borrower made under this part that
2 are repaid under the Income-Driven Repayment
3 Plan not exceed the applicable monthly pay-
4 ment of the borrower.

5 “(B) The Secretary shall apply the bor-
6 rower’s applicable monthly payment first to-
7 wards principal due, next toward any fees due
8 on the loan, and then toward the interest due
9 on the loan.

10 “(C) In the case of an applicable monthly
11 payment that does not fully cover the amount
12 of interest that has accrued on the borrower’s
13 loans for the month to which such applicable
14 monthly payment applies, the Secretary shall
15 not charge such remaining interest to the bor-
16 rower and such remaining interest shall not be
17 capitalized.

18 “(D) The Secretary shall have the discre-
19 tion to determine—

20 “(i) how a borrower’s applicable
21 monthly payment is applied to each out-
22 standing loan of the borrower repayed
23 under the Income-Driven Repayment Plan;
24 and

1 “(ii) the amount of principal, fees,
2 and interest due on each outstanding loan
3 of the borrower repayed under the Income-
4 Driven Repayment Plan.

5 “(E) The Secretary shall cancel any out-
6 standing balance of principal and interest due
7 on all loans of the borrower repaid under the
8 Income-Driven Repayment Plan by a borrower,
9 without the need for an application or other
10 documentation from the borrower, on the earlier
11 of—

12 “(i) in the case of a borrower who
13 does not have at least one outstanding loan
14 under this part attributable to a graduate
15 or professional course of study, the date
16 that the borrower has made 240 qualifying
17 payments over a period of at least 20
18 years;

19 “(ii) in the case of a borrower who
20 has at least one outstanding loan under
21 this part attributable to a graduate or pro-
22 fessional course of study, the date that the
23 borrower has made 300 qualifying pay-
24 ments over a period of at least 25 years;
25 or

1 “(iii) the date that the borrower has
2 made—

3 “(I) in the case of a borrower
4 with a total original balance of prin-
5 cipal due on all such loans that is
6 equal to or less than \$12,000, 120
7 qualifying payments over a period of
8 at least 10 years; or

9 “(II) in the case of a borrower
10 with a total original balance of prin-
11 cipal due on all such loans that is
12 greater than \$12,000—

13 “(aa) 120 qualifying pay-
14 ments over a period of at least
15 10 years; plus

16 “(bb) for each increment of
17 \$1 to \$1,000 above \$12,499 of
18 such total original principal bal-
19 ance, 12 additional qualifying
20 payments over a period of at
21 least 1 year.

22 “(2) ANNUAL INCOME VERIFICATION.—

23 “(A) IN GENERAL.—The procedures estab-
24 lished by the Secretary under section 455(e)(8)
25 shall apply for annually determining the bor-

1 rower’s eligibility for the Income-Driven Repay-
2 ment Plan, including verification of a bor-
3 rower’s annual income and the annual amount
4 due on the total amount of loans eligible to be
5 repaid under this subsection, and such other
6 procedures as are necessary to effectively imple-
7 ment the Income-Driven Repayment Plan. With
8 respect to carrying out section 494(a)(2) for the
9 Income-Driven Repayment Plan, an individual
10 may elect to opt out of the disclosures required
11 under section 494(a)(2)(A)(ii) in accordance
12 with the procedures established under
13 455(e)(8).

14 “(B) ADDITIONAL PROCEDURES.—In addi-
15 tion to carrying out the procedures described in
16 subparagraph (A), the Secretary shall establish
17 and implement—

18 “(i) in the case that the Secretary re-
19 ceives the return information disclosed
20 under section 6103(l)(13) of the Internal
21 Revenue Code of 1986, pursuant to ap-
22 proval provided under section 494, to de-
23 termine the repayment obligation of the
24 borrower but is unable to determine the re-
25 payment obligation of the borrower, proce-

1 dures to require the borrower to provide
2 such information as the Secretary may re-
3 quire to determine such repayment obliga-
4 tion under the Income-Driven Repayment
5 Plan; and

6 “(ii) such other procedures as are nec-
7 essary to implement effectively the Income-
8 Driven Repayment Plan.

9 “(C) RECONSIDERATION.—

10 “(i) IN GENERAL.—In the case that a
11 borrower believes that the annual repay-
12 ment obligation of the borrower determined
13 pursuant to this paragraph is not reflective
14 of the borrower’s income or family size, the
15 borrower may request that the Secretary
16 recalculate such annual repayment obliga-
17 tion. Such request shall include docu-
18 mentation of income or family size not
19 based on tax information to account for a
20 decrease in income since the borrower last
21 filed a tax return, the borrower’s separa-
22 tion from a spouse with whom the bor-
23 rower had previously filed a joint tax re-
24 turn, the birth or impending birth of a
25 child, or other comparable circumstances.

1 “(ii) ADJUSTMENT TO REPAYMENT
2 OBLIGATION.—If the Secretary determines
3 that the annual repayment obligation of
4 the borrower determined pursuant to this
5 paragraph is not reflective of the bor-
6 rower’s income or family size based on a
7 request described in clause (i), the Sec-
8 retary shall adjust the annual repayment
9 obligation of the borrower as determined
10 appropriate by the Secretary and in a
11 manner consistent with this subsection.

12 “(D) FORBEARANCE.—In the case that a
13 borrower provides information or documentation
14 pursuant to subparagraph (B)(i) or subpara-
15 graph (C)(i), the Secretary shall grant the bor-
16 rower administrative forbearance for a period of
17 up to 60 days in order for the Secretary to col-
18 lect and process such information or docu-
19 mentation.

20 “(3) REPAYMENT DISCLOSURE.—After the Sec-
21 retary obtains sufficient information to calculate a
22 borrower’s annual repayment obligation under the
23 Income-Driven Repayment Plan pursuant to para-
24 graph (2) and not later than 3 months before any
25 payments in accordance with such annual repayment

1 obligation are due, the Secretary shall provide to the
2 borrower a repayment disclosure that—

3 “(A) specifies the borrower’s applicable
4 monthly payment amount;

5 “(B) explains how such applicable monthly
6 payment amount was calculated;

7 “(C) informs the borrower of the terms
8 and conditions of the Income-Driven Repay-
9 ment Plan; and

10 “(D) informs the borrower of how to con-
11 tact the Secretary if the calculated applicable
12 monthly payment amount is not reflective of the
13 borrower’s current income or family size.

14 “(4) FAILURE TO PROVIDE INFORMATION.—In
15 the case that the Secretary requires information
16 from the borrower to determine the annual repay-
17 ment obligation of the borrower and the borrower
18 does not provide the necessary information to the
19 Secretary in accordance with the procedures de-
20 scribed in paragraph (2), the Secretary shall remove
21 the borrower from the Income-Driven Repayment
22 Plan and provide the borrower with the fixed repay-
23 ment plan described in subsection (b).

24 “(5) TREATMENT OF CONSOLIDATION LOANS.—
25 With respect to cancelling any outstanding balance

1 of principal and interest due on all loans of the bor-
2 rower repaid under the Income-Driven Repayment
3 Plan pursuant to paragraph (1)(E), the Secretary
4 shall—

5 “(A) for a borrower with an outstanding
6 Federal Direct Consolidation Loan that dis-
7 charges the liability on loans with more than
8 one period of qualifying payments, determine
9 the number of qualifying payments made to-
10 wards such Direct Consolidation Loan based on
11 the weighted average of the number of quali-
12 fying payments made on each such discharged
13 loan.

14 “(B) for a borrower with an outstanding
15 joint consolidation loan that is separated into
16 individual Federal Direct Consolidation Loans,
17 determine the number of qualifying payments
18 made towards each such separated loan based
19 on the number of qualifying payments that the
20 borrower made prior to the separation.

21 “(6) DEFINITIONS.—In this subsection:

22 “(A) APPLICABLE MONTHLY PAYMENT.—

23 “(i) IN GENERAL.—The term ‘applica-
24 ble monthly payment’ means, when used
25 with respect to a borrower and except as

1 provided in clause (ii), the amount equal
2 to—

3 “(I) \$0 for the portion of the
4 borrower’s income (and the borrower’s
5 spouse’s income, if applicable) that is
6 less than or equal to 225 percent of
7 the poverty line applicable to the bor-
8 rower’s family size (as determined
9 under section 673(2) of the Commu-
10 nity Services Block Grant Act (42
11 U.S.C. 9902(2))); plus

12 “(II) in the case of a borrower
13 with an outstanding loan made under
14 this part for an undergraduate pro-
15 gram of study, 5 percent of the por-
16 tion of the borrower’s income (and the
17 borrower’s spouse’s income, if applica-
18 ble) that is greater than 225 percent
19 of the poverty line applicable to the
20 borrower’s family size (as determined
21 under section 673(2) of the Commu-
22 nity Services Block Grant Act (42
23 U.S.C. 9902(2))), prorated by the
24 percentage that is the result of divid-
25 ing—

1 “(aa) the borrower’s total
2 outstanding balance of loans that
3 is attributable to loans made
4 under this part for an under-
5 graduate program of study, de-
6 termined at the time the bor-
7 rower enters into repayment for
8 such loans; by

9 “(bb) the result of divid-
10 ing—

11 “(AA) the borrower’s
12 total outstanding balance of
13 loans made under this part,
14 determined at the time the
15 borrower enters into repay-
16 ment for such loans; by

17 “(BB) 12; plus

18 “(III) in the case of a borrower
19 with an outstanding loan made under
20 this part not described in subclause
21 (II), 10 percent of the portion of the
22 borrower’s income (and the borrower’s
23 spouse’s income, if applicable) that is
24 greater than 225 percent of the pov-
25 erty line applicable to the borrower’s

1 family size (as determined under sec-
2 tion 673(2) of the Community Serv-
3 ices Block Grant Act (42 U.S.C.
4 9902(2))), prorated by the percentage
5 that is the result of dividing—

6 “(aa) the difference be-
7 tween—

8 “(AA) the borrower’s
9 total outstanding balance of
10 loans made under this part,
11 determined at the time the
12 borrower enters into repay-
13 ment for such loans; and

14 “(BB) the balance of
15 loans subject to subclause
16 (II); by

17 “(bb) the result of divid-
18 ing—

19 “(AA) the borrower’s
20 total outstanding balance of
21 loans made under this part,
22 determined at the time the
23 borrower enters into repay-
24 ment for such loans; by

25 “(BB) 12.

1 “(ii) ADJUSTMENTS TO APPLICABLE
2 MONTHLY PAYMENT.—Notwithstanding
3 clause (i), the applicable monthly payment
4 of a borrower shall be—

5 “(I) in the case that the amount
6 calculated for such borrower pursuant
7 to clause (i) is less than \$5, \$0;

8 “(II) in the case that the amount
9 calculated for such borrower pursuant
10 to clause (i) is greater than \$5 but
11 less than \$10, \$10; or

12 “(III) in the case of a married
13 borrower who is not an exempted bor-
14 rower, the amount resulting by multi-
15 plying—

16 “(aa) the amount calculated
17 for such borrower pursuant to
18 clause (i); by

19 “(bb) the result of divid-
20 ing—

21 “(AA) the outstanding
22 balance of principal and in-
23 terest due on all loans of the
24 borrower made under this
25 part; by

1 “(BB) the sum of the
 2 amount described in subitem
 3 (AA) plus the outstanding
 4 balance of principal and in-
 5 terest due on all loans of the
 6 borrower’s spouse made
 7 under this part.

8 “(B) INCOME.—The term ‘income’, when
 9 used with respect to a borrower, means—

10 “(i) the borrower’s (and the bor-
 11 rower’s spouse, if applicable) adjusted
 12 gross income as reported to the Internal
 13 Revenue Service; or

14 “(ii) the amount calculated based on
 15 alternative documentation of all forms of
 16 taxable income received by the borrower
 17 (and the borrower’s spouse, if applicable)
 18 and provided to the Secretary.

19 “(C) ADJUSTED GROSS INCOME.—The
 20 term ‘adjusted gross income’, when used with
 21 respect to a borrower, means—

22 “(i) in the case of an exempted bor-
 23 rower, the borrower’s adjusted gross in-
 24 come (as such term is defined in section 62
 25 of the Internal Revenue Code of 1986) of

1 such borrower for the most recent taxable
2 year; and

3 “(ii) in the case of a married borrower
4 who is not an exempted borrower, the sum
5 of the adjusted gross income (as such term
6 is defined in section 62 of the Internal
7 Revenue Code of 1986) of the borrower
8 and of the borrower’s spouse for the most
9 recent taxable year.

10 “(D) EXEMPTED BORROWER.—The term
11 ‘exempted borrower’ means a borrower—

12 “(i) who is unmarried;

13 “(ii) who is married and files a Fed-
14 eral income tax return separately from the
15 borrower’s spouse; or

16 “(iii) who is married, files a Federal
17 income tax return jointly with the bor-
18 rower’s spouse, and certifies at the time
19 the borrower applies for a repayment plan
20 or submits information for annual income
21 verification that—

22 “(I) the borrower is separated
23 from the borrower’s spouse; or

1 “(II) the borrower is unable to
2 reasonably assess the income of the
3 borrower’s spouse.

4 “(E) QUALIFYING PAYMENT.—The term
5 ‘qualifying payment’, when used with respect to
6 a borrower, means any of the following:

7 “(i) An applicable monthly payment.

8 “(ii) A monthly payment made under
9 the fixed repayment plan described in sub-
10 section (b).

11 “(iii) A monthly payment made under
12 a repayment plan described in paragraph
13 (1) of section 455(d).

14 “(iv) A payment under a repayment
15 plan with payments that are as least as
16 much as they would have been under a
17 standard repayment plan for a term of 10
18 years consistent with subsection (a)(1) of
19 section 455 and section 428(b)(9)(A)(i),
20 except that, in the case of a borrower who
21 was moved by the Secretary to such a re-
22 payment plan due to the borrower’s failure
23 to submit information for annual income
24 verification or their failure to provide other
25 necessary information, no more than 12

1 payments made under such a repayment
2 plan may be counted as qualifying pay-
3 ments.

4 “(v) A forbearance or deferment of an
5 applicable monthly payment otherwise due
6 under the Income-Driven Repayment Plan
7 pursuant to any of the following:

8 “(I) Cancer treatment deferment
9 under section 455(f)(3), section
10 428(b)(1)(M)(v), or section
11 427(a)(2)(C)(iv).

12 “(II) Rehabilitation training pro-
13 gram deferment under section
14 455(f)(2)(A)(ii), section
15 428(b)(1)(M)(i)(II), or section
16 427(a)(2)(C)(i)(II).

17 “(III) Deferment relating to a
18 period of unemployment under section
19 455(f)(2)(B) or section
20 428(b)(1)(M)(ii).

21 “(IV) Deferment due to an eco-
22 nomic hardship described in section
23 435(o), section 428(b)(1)(M)(iv), or
24 section 427(a)(2)(C)(iii).

1 “(V) Deferment provided in con-
2 nection with services in the Peace
3 Corps.

4 “(VI) Military service deferment
5 under section 455(f)(2)(C) or section
6 428(b)(1)(M)(iii).

7 “(VII) Post-active-duty student
8 deferment under section 493D.

9 “(VIII) Forbearance provided
10 under section 428(c)(3)(A)(i)(III) on
11 or after July 1, 2024, because the
12 borrower is serving in a national serv-
13 ice position for which the borrower re-
14 ceives a national service educational
15 award under the National and Com-
16 munity Service Trust Act of 1993 (42
17 U.S.C. 12501 et seq.).

18 “(IX) National Guard Duty for-
19 bearance under section
20 682.211(h)(2)(iii) or section
21 685.205(a)(7) of title 34, Code of
22 Federal Regulations (or successor reg-
23 ulations), on or after July 1, 2024.

24 “(X) Department of Defense stu-
25 dent loan repayment program forbear-

1 ance under section
2 428(c)(3)(A)(i)(IV) on or after July
3 1, 2024.

4 “(XI) Administrative forbearance
5 or mandatory administrative forbear-
6 ance under section 428(c)(3)(D) or
7 section 428H(e)(7) on or after July 1,
8 2024.

9 “(XII) Forbearance granted by
10 the Secretary while the Secretary de-
11 termines whether the borrower is eli-
12 gible for the Secretary to discharge
13 the borrower’s liability on a loan due
14 to the borrower’s bankruptcy.

15 “(vi) A payment for any month in
16 which the borrower was in a period of
17 deferment or forbearance not described in
18 clause (iv) (other than an in-school
19 deferment) if such payment—

20 “(I) is made not later than 3
21 years after such period of deferment
22 or forbearance ended; and

23 “(II) is equal to or greater than
24 the applicable monthly payment of the
25 borrower.”.

1 **SEC. 213. MAXIMUM REPAYMENT PERIOD FOR INCOME-**
2 **CONTINGENT REPAYMENT AND INCOME-**
3 **BASED REPAYMENT.**

4 (a) ICR.—Section 455(e)(7)(B) of the Higher Edu-
5 cation Act of 1965 (20 U.S.C. 1087e(e)(7)(B)) is further
6 amended—

7 (1) by striking “or” at the end of clause (iv);

8 (2) by striking the period at the end of clause

9 (v) and inserting a semicolon; and

10 (3) by adding at the end the following:

11 “(vi) makes payments under the In-
12 come-Driven Repayment Plan under sec-
13 tion 455A(c); or

14 “(vii) makes payments under the fixed
15 repayment plan under section 455A(b);”.

16 (b) IBR.—Section 493C(b)(7)(B) of the Higher Edu-
17 cation Act of 1965 (20 U.S.C. 1098e(b)(7)(B)) is amend-
18 ed—

19 (1) in clause (iv), by striking “or”;

20 (2) in clause (v), by adding “or” at the end;

21 and

22 (3) by adding at the end the following:

23 “(vi) makes payments under the In-
24 come-Driven Repayment Plan under sec-
25 tion 455A(c); or

1 “(vii) makes payments under the fixed
2 repayment plan under 455A(b);”.

3 **SEC. 214. BORROWERS INELIGIBLE FOR LOANS.**

4 (a) INELIGIBLE BORROWERS.—Section 484 of the
5 Higher Education Act of 1965 (20 U.S.C. 1091) is
6 amended—

7 (1) in subsection (a)(6), by striking “if the”
8 and inserting “if, in accordance with subsection (u),
9 the”; and

10 (2) by adding at the end the following:

11 “(u) INELIGIBLE BORROWERS.—

12 “(1) IN GENERAL.—The Secretary determines
13 that a borrower is ineligible pursuant to subsection
14 (a)(6) if, at the time the loan was made and without
15 the knowledge of the institution of higher education
16 or the Secretary, the borrower (or the student on
17 whose behalf a parent borrowed) provided false or
18 erroneous information, has been convicted of, or has
19 pled nolo contendere or guilty to, a crime involving
20 fraud in obtaining funds under this title, or took ac-
21 tions that caused the borrower or student—

22 “(A) to receive a loan for which the bor-
23 rower is wholly or partially ineligible;

24 “(B) to receive interest benefits for which
25 the borrower was ineligible; or

1 “(C) to receive loan proceeds for a period
2 of enrollment for which the borrower was not
3 eligible.

4 “(2) DEMAND LETTER.—

5 “(A) IN GENERAL.—If the Secretary
6 makes the determination described in para-
7 graph (1), the Secretary shall send an ineligible
8 borrower a demand letter that requires that,
9 within 30 days from the date the letter is
10 mailed, the borrower repay any principal
11 amount for which the borrower is ineligible and
12 any accrued interest, including interest sub-
13 sidized by the Secretary, through the previous
14 quarter.

15 “(B) DEFAULT.—If a borrower fails to
16 comply with the demand letter described in
17 paragraph (2), the borrower shall be in default
18 on the entire loan.

19 “(3) PROHIBITION ON CONSOLIDATION.—A bor-
20 rower may not consolidate a loan under this part for
21 which the borrower is wholly or partially ineligible.”.

1 **PART C—AUTOMATIC ENROLLMENT IN THE IN-**
2 **COME-DRIVEN REPAYMENT PLAN FOR CER-**
3 **TAIN BORROWERS**

4 **SEC. 221. NOTIFICATION AND AUTOMATIC ENROLLMENT**
5 **PROCEDURES FOR BORROWERS WHO ARE**
6 **DELINQUENT ON LOANS.**

7 Section 455(d) of the Higher Education Act of 1965
8 (20 U.S.C. 1087e(d)), as amended by this Act, is further
9 amended by adding at the end the following:

10 “(6) NOTIFICATION AND AUTOMATIC ENROLL-
11 MENT PROCEDURES FOR BORROWERS WHO ARE DE-
12 LINQUENT ON LOANS.—

13 “(A) AUTHORITY TO OBTAIN INCOME IN-
14 FORMATION.—The Secretary shall establish and
15 implement, with respect to any borrower de-
16 scribed in subparagraph (B), procedures to—

17 “(i) use return information of the bor-
18 rower (and the borrower’s spouse, if appli-
19 cable) disclosed under section 6103(l)(13)
20 of the Internal Revenue Code of 1986, pur-
21 suant to approval provided under section
22 494, to determine the income and family
23 size of the borrower (and the borrower’s
24 spouse, if applicable) without further ac-
25 tion by the borrower;

1 “(ii) allow the borrower (or the spouse
2 of the borrower), at any time, to opt out
3 of disclosure under such section
4 6103(l)(13) and instead provide such infor-
5 mation as the Secretary may require to de-
6 termine the income and family size of the
7 borrower (and the borrower’s spouse, if ap-
8 plicable); and

9 “(iii) provide the borrower with an op-
10 portunity to update the return information
11 so disclosed before the determination of the
12 income and family size of the borrower for
13 purposes of this paragraph.

14 “(B) BORROWER NOTIFICATION.—With re-
15 spect to each borrower of a loan made under
16 this part who is not repaying such loan pursu-
17 ant to the Income-Driven Repayment Plan
18 under section 455A(c), who is at least 31 days
19 delinquent on such loan, and who has not been
20 subject to the procedures under this paragraph
21 for such loan in the preceding 62 days, the Sec-
22 retary shall, as soon as practicable after such
23 31-day delinquency, provide to the borrower the
24 following:

1 “(i) Notification that the borrower is
2 at least 31 days delinquent on at least 1
3 loan made under this part, and a descrip-
4 tion of all delinquent covered loans, non-
5 delinquent covered loans, and noncovered
6 loans of the borrower.

7 “(ii) A brief description of the repay-
8 ment plans for which the borrower is eligi-
9 ble and the covered loans and noncovered
10 loans of the borrower that may be eligible
11 for such plans, based on information avail-
12 able to the Secretary.

13 “(iii) The amount of monthly pay-
14 ments for the covered and noncovered
15 loans under each repayment plan identified
16 under clause (ii), based on information
17 available to the Secretary, including, if the
18 income information of the borrower is
19 available to the Secretary under subpara-
20 graph (A), the income, family size, tax fil-
21 ing status, and tax year information on
22 which each such monthly payment is
23 based.

24 “(iv) Clear and simple instructions on
25 how to select the repayment plans.

1 “(v) An explanation that the Sec-
2 retary shall take the actions under sub-
3 paragraph (C) with respect to such bor-
4 rower, if—

5 “(I) the borrower is 80 days de-
6 linquent on 1 or more loans made
7 under this part and has not selected
8 the Income-Driven Repayment Plan
9 under section 455A(c) for borrower’s
10 loans made under this part; and

11 “(II) in the case of such a bor-
12 rower whose existing repayment plan
13 for the borrower’s loans made under
14 this part is not such Income-Driven
15 Repayment Plan, the monthly pay-
16 ments under such existing repayment
17 plan are higher than such monthly
18 payments would be under such In-
19 come-Driven Repayment Plan.

20 “(vi) Instructions on updating the in-
21 formation of the borrower obtained under
22 subparagraph (A).

23 “(C) SECRETARY’S SELECTION OF A
24 PLAN.—With respect to each borrower de-
25 scribed in subparagraph (B)(v) who has not se-

lected the Income-Driven Repayment Plan under section 455A(c) for the borrower's loans made under this part that are delinquent and who is at least 80 days delinquent on such a loan, the Secretary shall, as soon as practicable—

“(i) enroll the borrower in such Income-Driven Repayment Plan; and

“(ii) authorize the borrower to change the Secretary's selection of the Income-Driven Repayment Plan to the fixed-repayment plan under section 455A(b), as long as such selection is made in accordance with paragraphs (6) and (7) of section 455A(a).”.

**SEC. 222. NOTIFICATION AND AUTOMATIC ENROLLMENT
PROCEDURES FOR BORROWERS WHO ARE
REHABILITATING DEFAULTED LOANS.**

Section 455(d) of the Higher Education Act of 1965 (20 U.S.C. 1087e(d)), as amended by this Act, is further amended by adding at the end the following:

“(7) NOTIFICATION AND AUTOMATIC ENROLLMENT PROCEDURES FOR BORROWERS WHO ARE REHABILITATING DEFAULTED LOANS.—

1 “(A) AUTHORITY TO OBTAIN INCOME IN-
2 FORMATION.—The Secretary shall establish and
3 implement, with respect to any borrower who is
4 rehabilitating a loan made under this part pur-
5 suant to section 428F(d), procedures to—

6 “(i) use return information of the bor-
7 rower (and the borrower’s spouse, if appli-
8 cable) disclosed section 6103(l)(13) of the
9 Internal Revenue Code of 1986, pursuant
10 to approval provided under section 494, to
11 obtain such information as is reasonably
12 necessary regarding the income and family
13 size of the borrower (and the borrower’s
14 spouse, if applicable);

15 “(ii) allow the borrower (or the spouse
16 of the borrower), at any time, to opt out
17 of disclosure under such section
18 6103(l)(13) and instead provide such infor-
19 mation as the Secretary may require to ob-
20 tain such information; and

21 “(iii) provide the borrower with an op-
22 portunity to update the return information
23 so disclosed before the determination of in-
24 come and family size of the borrower (and

1 the borrower's spouse, if applicable) for
 2 purposes of this paragraph.

3 “(B) BORROWER NOTIFICATION.—Not
 4 later than 30 days after a borrower makes the
 5 6th payment required on such loan pursuant to
 6 section 428F(d), the Secretary shall notify the
 7 borrower of the process under subparagraph
 8 (C) with respect to such loan.

9 “(C) SECRETARY'S SELECTION OF PLAN.—
 10 With respect to each borrower who has made
 11 the 9th payment required on such loan pursu-
 12 ant to section 428F(d), the Secretary shall, as
 13 soon as practicable after such payment, carry
 14 out the procedures described in paragraph
 15 (6)(C) with respect to such loan.”.

16 **SEC. 223. COVERED LOAN AND NON-COVERED LOAN DE-**
 17 **FINED.**

18 Section 455(d) of the Higher Education Act of 1965
 19 (20 U.S.C. 1087e(d)), as amended by this Act, is further
 20 amended by adding at the end the following:

21 “(8) DEFINITIONS.—In this subsection:

22 “(A) COVERED LOAN.—The term ‘covered
 23 loan’ means—

24 “(i) a loan made under this part;

1 “(ii) a loan purchased under section
2 459A; or

3 “(iii) a loan that has been assigned to
4 the Secretary under subsection (c)(8) or
5 (j)(3)(B) of section 428, or subsection
6 (a)(1)(A)(ii) or (a)(1)(G) of section 428F.

7 “(B) NONCOVERED LOAN.—The term
8 ‘noncovered loan’ means a loan made, insured,
9 or guaranteed under this title that is not a cov-
10 ered loan.”.

11 **SEC. 224. AUTOMATIC RECERTIFICATION OF INCOME FOR**
12 **INCOME-DRIVEN REPAYMENT PLANS.**

13 (a) INCOME-CONTINGENT REPAYMENT PLANS.—Sec-
14 tion 455(e)(8)(A) of the Higher Education Act of 1965
15 (20 U.S.C. 1087e(e)(8)(A)) is amended—

- 16 (1) by striking “and” at the end of clause (ii);
17 (2) by redesignating clause (iii) as clause (iv);
18 (3) in clause (iv) (as so redesignated), by strik-
19 ing the period at the end and inserting “; and”; and
20 (4) by inserting after clause (ii), the following:

21 “(iii) in the case of a borrower who
22 has selected to repay a loan made under
23 this part pursuant to an income contingent
24 repayment plan that defines discretionary
25 income in such a manner that the borrower

1 would have a calculated monthly payment
 2 equal to \$0, not require the borrower to
 3 provide the Secretary the information de-
 4 scribed in clause (i) or (ii), and ensure that
 5 the borrower will have a calculated month-
 6 ly payment of \$0; and”.

7 (b) INCOME-BASED REPAYMENT PLANS.—Section
 8 493C(c)(2)(B) of the Higher Education Act of 1965 (20
 9 U.S.C. 1098e(c)(2)(B)) is amended by striking “any loan
 10 made under part D (other than an excepted PLUS loan
 11 or excepted consolidation loan)” and inserting “any cov-
 12 ered loan (as defined in section 455(d)(8))”.

13 **SEC. 225. PROCEDURE AND REQUIREMENT FOR REQUEST-**
 14 **ING TAX RETURN INFORMATION FROM THE**
 15 **IRS.**

16 Section 494(a) of the Higher Education Act of 1965
 17 (20 U.S.C. 1098h(a)) is amended—

18 (1) in paragraph (2)—

19 (A) in subparagraph (A), in the matter
 20 preceding clause (i), by striking “a loan under
 21 part D” and inserting “a covered loan (as de-
 22 fined in section 455(d)(8))”; and

23 (B) in subparagraph (B), by striking “a
 24 loan under part D” and inserting “a covered
 25 loan (as defined in section 455(d)(8))”; and

1 (2) by adding at the end the following:

2 “(4) LOAN DELINQUENCY AND REHABILITA-
3 TION.—

4 “(A) BORROWERS DELINQUENT ON
5 LOANS.—In the case of an individual who is a
6 borrower of a loan made under this part and
7 who is at least 31 days delinquent on such loan,
8 the Secretary, with respect to such individual
9 and any spouse of such individual, shall—

10 “(i) provide to such individuals the
11 notification described in paragraph
12 (1)(A)(i); and

13 “(ii) require, as a condition of eligi-
14 bility for the notification and automatic en-
15 rollment procedures under section
16 455(d)(6), that such individuals—

17 “(I) affirmatively approve the
18 disclosure described in paragraph
19 (1)(A)(i) and agree that such approval
20 shall serve as an ongoing approval of
21 such disclosure until the date on
22 which the individual elects to opt out
23 of such disclosure under section
24 455(d)(6)(A)(ii); or

1 “(II) provide such information as
2 the Secretary may require to carry
3 out the procedures under section
4 455(d)(6) with respect to such indi-
5 vidual.

6 “(B) LOAN REHABILITATION.—In the case
7 of any written or electronic application by an
8 individual for the rehabilitation of a loan made
9 under this part pursuant to section 428F(d),
10 the Secretary, with respect to such individual
11 and any spouse of such individual, shall—

12 “(i) provide to such individuals the
13 notification described in paragraph
14 (1)(A)(i); and

15 “(ii) require, as a condition of eligi-
16 bility for loan rehabilitation pursuant to
17 section 428F(a), that such individuals—

18 “(I) affirmatively approve the
19 disclosure described in paragraph
20 (1)(A)(i) and agree that such approval
21 shall serve as an ongoing approval of
22 such disclosure until the date on
23 which the individual elects to opt out
24 of such disclosure under section
25 455(d)(7)(A)(ii); or

1 “(II) provide such information as
2 the Secretary may require to carry
3 out the procedures under section
4 455(d)(7) with respect to such indi-
5 vidual.”.

6 **PART D—STREAMLINING PUBLIC SERVICE LOAN**
7 **FORGIVENESS**

8 **SEC. 231. AMENDMENTS TO TERMS AND CONDITIONS OF**
9 **PUBLIC SERVICE LOAN FORGIVENESS.**

10 (a) NUMBER OF MONTHLY PAYMENTS.—Paragraph
11 (1) of section 455(m) of the Higher Education Act of
12 1965 (20 U.S.C. 1087e(m)) is amended—

13 (1) in the matter preceding subparagraph (A),
14 by striking “a borrower who” and inserting “a bor-
15 rower”;

16 (2) by amending subparagraph (A) to read as
17 follows:

18 “(A) who—

19 “(i) has made 96 qualifying monthly
20 payments on the eligible Federal Direct
21 Loan after October 1, 2007; and

22 “(ii) has been employed in a public
23 service job during the period in which the
24 borrower makes each of the 96 qualifying
25 monthly payments; and”;

1 (3) by amending subparagraph (B) to read as
2 follows:

3 “(B) without regard to the employment
4 status of the borrower at the time of such can-
5 cellation.”.

6 (b) REDESIGNATIONS.—Section 455(m) of the High-
7 er Education Act of 1965 (20 U.S.C. 1087e(m)) is further
8 amended by redesignating paragraphs (2), (3), and (4),
9 as paragraphs (3), (6), and (7), respectively.

10 (c) MONTHLY PAYMENTS.—Section 455(m) of the
11 Higher Education Act of 1965 (20 U.S.C. 1087e(m)) is
12 further amended—

13 (1) by inserting after paragraph (1), as so
14 amended, the following:

15 “(2) MONTHLY PAYMENTS.—

16 “(A) QUALIFYING MONTHLY PAYMENTS.—
17 For the purpose of determining under para-
18 graph (1) the number of qualifying monthly
19 payments made by a borrower on an eligible
20 Federal Direct Loan, the Secretary shall con-
21 sider the borrower to have made a qualifying
22 monthly payment for each month that—

23 “(i) the borrower pays (as a lump
24 sum or in multiple installments) an
25 amount that is not less than the monthly

1 payment amount due on the eligible Fed-
2 eral Direct Loan pursuant to any one or a
3 combination of the following—

4 “(I) payments under an income-
5 based repayment plan under section
6 493C;

7 “(II) payments under a standard
8 repayment plan under subsection
9 (d)(1)(A), based on a 10-year repay-
10 ment period;

11 “(III) monthly payments under a
12 repayment plan under subsection
13 (d)(1) or (g) of not less than the
14 monthly amount calculated under sub-
15 section (d)(1)(A), based on a 10-year
16 repayment period;

17 “(IV) payments under an income
18 contingent repayment plan under sub-
19 section (d)(1)(D);

20 “(V) payments under the In-
21 come-Driven Repayment Plan under
22 section 455A(c); or

23 “(VI) payments under the fixed
24 repayment plan under section
25 455A(b); or

1 “(ii) in lieu of a payment described in
2 clause (i), the borrower is in one of the fol-
3 lowing periods of deferment or forbear-
4 ance—

5 “(I) cancer treatment deferment
6 under section 427(a)(2)(C)(iv),
7 428(b)(1)(M)(v), or 455(f)(3);

8 “(II) rehabilitation training pro-
9 gram deferment under section
10 427(a)(2)(C)(i)(II),
11 428(b)(1)(M)(i)(II), or
12 455(f)(2)(A)(ii);

13 “(III) military service deferment
14 under section 428(b)(1)(M)(iii) or
15 455(f)(2)(C);

16 “(IV) unemployment deferment
17 under section 427(a)(2)(C)(ii),
18 428(b)(1)(M)(ii), 428B(d)(1)(A)(i), or
19 455(f)(2)(B);

20 “(V) deferment due to an eco-
21 nomic hardship described in section
22 427(a)(2)(C)(iii), section
23 428(b)(1)(M)(iv), section
24 428B(d)(1)(A)(i), section 435(o), or
25 section 455(f)(2)(D);

1 “(VI) Peace Corps service
2 deferment under section
3 682.210(b)(2)(ii) or 682.210(k) of
4 title 34, Code of Federal Regulations
5 (or successor regulations), as made
6 applicable to Direct Loan borrowers
7 under section 685.204(j) of such title
8 34;

9 “(VII) post-active-duty student
10 deferment under section 493D;

11 “(VIII) AmeriCorps forbearance
12 under section 428(c)(3)(A)(i)(III);

13 “(IX) National Guard Duty for-
14 bearance under section
15 682.211(h)(2)(iii) or 685.205(a)(7) of
16 title 34, Code of Federal Regulations
17 (or successor regulations);

18 “(X) Department of Defense stu-
19 dent loan repayment program forbear-
20 ance under section
21 428(c)(3)(A)(i)(IV);

22 “(XI) administrative forbearance
23 or mandatory administrative forbear-
24 ance under section 428(c)(3)(D) or
25 428H(e)(7); or

1 “(XII) student loan debt burden
2 forbearance under section
3 428(c)(3)(A)(i)(II).

4 “(B) PREPAYMENTS.—

5 “(i) IN GENERAL.—Subject to clause
6 (ii), if, for any month, a borrower makes a
7 qualifying monthly payment on an eligible
8 Federal Direct Loan in an amount that ex-
9 ceeds the monthly payment amount due on
10 such loan for such month, the Secretary
11 shall—

12 “(I) if the excess amount is less
13 than the monthly payment amount
14 due for the subsequent month on such
15 loan, apply the excess amount toward
16 the monthly payment amount due for
17 such subsequent month;

18 “(II) if the excess amount is
19 equal to the monthly payment amount
20 due for the subsequent month on such
21 loan, treat the excess amount as the
22 monthly payment for such subsequent
23 month;

24 “(III) if the excess amount is
25 greater than the monthly payment

1 amount due for the subsequent month
2 on such loan, but less than the total
3 monthly payment amounts due for the
4 2 subsequent months on such loan—

5 “(aa) treat the portion of
6 the excess amount that covers
7 the monthly payment amount due
8 for the subsequent month as the
9 monthly payment for such subse-
10 quent month; and

11 “(bb) apply the remainder of
12 the excess amount toward the
13 monthly payment amount due for
14 the second subsequent month;

15 “(IV) if the excess amount is
16 equal to or greater than the monthly
17 payment amount due for the 2 subse-
18 quent months on such loan, but less
19 than the total monthly payment
20 amounts due for the 3 subsequent
21 months on such loan—

22 “(aa) treat the portion of
23 the excess amount that covers
24 the monthly payment amounts
25 due for the subsequent month

1 and the second subsequent month
2 as the monthly payments for
3 such months; and

4 “(bb) apply any remainder
5 of such excess amount toward the
6 monthly payment amount due for
7 the third subsequent month;

8 “(V) if the excess amount is
9 equal to the monthly payment
10 amounts due for the 3 subsequent
11 months on such loan, treat the excess
12 amount as the monthly payments for
13 such months;

14 “(VI) if the excess amount is
15 greater than the monthly payment
16 amounts due for the 3 subsequent
17 months on such loan—

18 “(aa) treat the portion of
19 the excess amount that covers
20 the monthly payment amounts
21 due for the 3 subsequent months
22 as the monthly payments for
23 such months; and

24 “(bb) apply any remainder
25 of such excess amount to the

1 principal balance of the eligible
2 Federal Direct loan; and

3 “(VII) notwithstanding sub-
4 clauses (I) through (VI), if the bor-
5 rower has a monthly payment amount
6 due on such loan for such month that
7 is equal to \$0, apply any excess
8 amount for such month to the prin-
9 cipal balance of the eligible Federal
10 Direct loan.

11 “(ii) ALTERNATIVE APPLICATION.—
12 Prior to or at the time of making a pay-
13 ment that exceeds the monthly payment
14 amount due on an eligible Federal Direct
15 Loan for such month, a borrower may re-
16 quest that any excess amount for such
17 month be applied to the principal balance
18 of an eligible Federal Direct loan in lieu of
19 such excess amount being applied in ac-
20 cordance with clause (i).

21 “(C) BUYBACK PAYMENT PROCESS.—

22 “(i) IN GENERAL.—The Secretary
23 shall establish a buyback payment process
24 under which a qualified borrower of an eli-
25 gible Federal Direct Loan may make a

1 buyback payment in order to have eligible
2 months of the borrower's public service
3 employment period during which the bor-
4 rower did not make a qualifying monthly
5 payment on such loan be treated as if the
6 borrower had made a qualifying monthly
7 payment on such loan.

8 “(ii) QUALIFIED BORROWER.—A bor-
9 rower is a qualified borrower for the pur-
10 poses of making a buyback payment in ac-
11 cordance with this subparagraph if the
12 borrower—

13 “(I) has an eligible Federal Di-
14 rect Loan that is not in default;

15 “(II) has been employed in a
16 public service job for not less than a
17 96 month employment period, but
18 during such employment period has
19 made fewer than 96 qualifying month-
20 ly payments on an eligible Federal Di-
21 rect Loan; and

22 “(III) requests to make a
23 buyback payment in accordance with
24 this subparagraph.

1 “(iii) ELIGIBLE MONTH.—For the
2 purposes of this subparagraph, an eligible
3 month means a month during which a
4 qualified borrower was employed in a pub-
5 lic service job, was not in an in-school
6 deferment or grace period, and did not
7 make a qualifying monthly payment on an
8 eligible Federal Direct Loan for such
9 month—

10 “(I) because the borrower made a
11 monthly payment on such eligible
12 Federal Direct Loan pursuant to a re-
13 payment plan that is not a qualifying
14 repayment plan;

15 “(II) because the borrower was
16 in a period of deferment or forbear-
17 ance other than a period described in
18 clause (ii) of subparagraph (A); or

19 “(III) for another reason deter-
20 mined appropriate by the Secretary.

21 “(iv) BUYBACK PAYMENT REQUIRE-
22 MENTS.—A buyback payment made in ac-
23 cordance with this subparagraph—

24 “(I) shall be made by a qualified
25 borrower as a lump sum payment

1 amount, and in an amount that equals
2 the total amount the borrower would
3 have paid in qualifying monthly pay-
4 ments on the eligible Federal Direct
5 Loan for all eligible months the bor-
6 rower is requesting to buyback, pursu-
7 ant to a qualifying repayment plan
8 applicable to the borrower, in accord-
9 ance with section 685.219(g)(6) of
10 title 34, Code of Federal Regulations
11 (as such section is in effect on the
12 date of enactment of this paragraph)
13 or any other relevant regulations in
14 effect on such date;

15 “(II) may not be made with re-
16 spect to an eligible Federal Direct
17 Loan that has been paid off, dis-
18 charged, or cancelled; and

19 “(III) with respect to an eligible
20 Federal Direct Loan that is a consoli-
21 dation loan, may not be used to
22 buyback eligible months that occurred
23 before the date of the consolidation of
24 such loan.

1 “(D) HOLD HARMLESS AGAINST RETRO-
2 ACTIVE DETERMINATIONS.—For purposes of
3 determining under paragraph (1) the number of
4 qualifying monthly payments made by a bor-
5 rower, any payment or period of deferment or
6 forbearance that is determined to be a quali-
7 fying monthly payment may not, at a later
8 time, be determined not to be a qualifying
9 monthly payment.”; and

10 (2) in paragraph (6), as redesignated by sub-
11 section (b), by adding at the end the following:

12 “(C) QUALIFYING REPAYMENT PLAN.—
13 The term ‘qualifying repayment plan’ means
14 any of the repayment plans listed in clause (i)
15 of paragraph (2)(A).”.

16 (d) LOAN CANCELLATION.—Paragraph (3) of section
17 455(m) of the Higher Education Act of 1965 (20 U.S.C.
18 1087e(m)), as redesignated by subsection (b), is amended
19 to read as follows:

20 “(3) LOAN CANCELLATION AMOUNT.—Upon
21 certification by a borrower of completion of 96 quali-
22 fying monthly payments by the borrower, the Sec-
23 retary shall determine whether the borrower meets
24 each of the requirements of paragraph (1), and—

1 “(A) if the Secretary determines that the
 2 borrower does meet such requirements, cancel
 3 the obligation to repay the balance of principal
 4 and interest due as of the time of such cancella-
 5 tion on the eligible Federal Direct Loans made
 6 to the borrower under this part, without further
 7 action by the borrower; or

8 “(B) if the Secretary determines that the
 9 borrower does not meet such requirements, no-
 10 tify the borrower of such determination in ac-
 11 cordance with paragraph (4).”.

12 (e) RECONSIDERATION PROCESS.—Section 455(m) of
 13 the Higher Education Act of 1965 (20 U.S.C. 1087e(m)),
 14 as redesignated by subsection (b), is further amended by
 15 inserting after paragraph (3), as so amended, the fol-
 16 lowing:

17 “(4) INITIAL DETERMINATION OF INELIGI-
 18 BILITY FOR LOAN CANCELLATION.—In a case in
 19 which the Secretary determines that a borrower has
 20 not met the requirements of paragraph (1), the Sec-
 21 retary shall—

22 “(A) notify the borrower that—

23 “(i) the borrower’s application has
 24 been denied, including the basis for such
 25 denial;

1 “(ii) the borrower is in a 90-day for-
 2 bearance period described in subparagraph
 3 (B); and

4 “(iii) the Secretary will resume collec-
 5 tion of the eligible Federal Direct Loans
 6 for which the borrower was seeking loan
 7 cancellation under this subsection after
 8 such 90-day forbearance period, unless the
 9 borrower opts to extend such forbearance
 10 period under paragraph (5)(A)(ii); and

11 “(B) grant the borrower a 90-day forbear-
 12 ance period, beginning on the date of the notice
 13 described in subparagraph (A) provided to the
 14 borrower, and during which—

15 “(i) payments of principal and inter-
 16 est need not be made on the eligible Fed-
 17 eral Direct Loans for which the borrower
 18 was seeking loan cancellation under this
 19 subsection; and

20 “(ii) any interest accrued and not
 21 paid may not be capitalized.

22 “(5) RECONSIDERATION PROCESS.—

23 “(A) REQUEST FOR RECONSIDERATION.—

24 Not later than 90 days after the date of the no-

1 tice described in paragraph (4)(A) provided to
2 the borrower—

3 “(i) the borrower may request, on a
4 form approved by the Secretary, that the
5 Secretary reconsider the basis for the Sec-
6 retary’s denial under paragraph (4)(A)(i);
7 and

8 “(ii) if the Secretary grants the bor-
9 rower’s reconsideration request, offer the
10 borrower an extension of the 90-day for-
11 bearance period described in paragraph
12 (4)(B), which shall—

13 “(I) begin on the date of the bor-
14 rower’s reconsideration request under
15 this subparagraph; and

16 “(II) end on the date of the no-
17 tice provided to the borrower under
18 subparagraph (C)(i)(I) of the Sec-
19 retary’s reconsideration decision.

20 “(B) CONSIDERATION OF RECONSIDER-
21 ATION REQUEST.—In evaluating a reconsider-
22 ation request from a borrower, the Secretary
23 shall consider any relevant evidence or sup-
24 porting documentation that may assist the Sec-
25 retary in determining whether the borrower

1 meets each of the requirements of paragraph
2 (1) to qualify for loan cancellation under this
3 subsection.

4 “(C) DECISION BY THE SECRETARY.—

5 “(i) IN GENERAL.—Not later than 6
6 months after receipt of a borrower’s recon-
7 sideration request, the Secretary shall—

8 “(I) notify the borrower of the
9 reconsideration decision and the rea-
10 son for the Secretary’s determination;

11 “(II) in a case in which the re-
12 consideration request is granted, ad-
13 just the borrower’s number of quali-
14 fying monthly payments under para-
15 graph (1) or cancel the loan under
16 paragraph (3); and

17 “(III) in a case in which the Sec-
18 retary denies the reconsideration re-
19 quest, with respect to a borrower who
20 agrees to the forbearance extension
21 described in subparagraph (A)(ii), in-
22 clude in the notice provided to the
23 borrower under subclause (I), a re-
24 minder that the Secretary will resume
25 collection of the eligible Federal Di-

1 rect Loans for which the borrower
 2 was seeking loan cancellation under
 3 this subsection as of the date of such
 4 notice.

5 “(ii) FINAL DECISION.—After the
 6 Secretary makes a decision on the bor-
 7 rower’s reconsideration request, the Sec-
 8 retary’s decision is final, and the borrower
 9 will not receive additional reconsider-
 10 ation.”.

11 **SEC. 232. TERMS AND CONDITIONS OF EMPLOYMENT.**

12 (a) INDEPENDENT CONTRACTORS.—Section 455(m)
 13 is further amended by adding at the end the following:

14 “(8) TREATMENT OF INDEPENDENT CONTRAC-
 15 TORS.—For purposes of this subsection, each ref-
 16 erence to ‘employment’ and ‘employed’ shall be
 17 treated as including work as an independent con-
 18 tractor.”.

19 (b) DEFINITIONS.—Paragraph (6) of section 455(m)
 20 of the Higher Education Act of 1965 (20 U.S.C.
 21 1087e(m)), as redesignated by section 231(b), is further
 22 amended by adding at the end the following:

23 “(D) FULL-TIME.—The term ‘full-time’
 24 means, with respect to a public service job,
 25 working 1 or more such jobs—

1 “(i) a minimum average of 30 hours
2 per week during the period being certified;

3 “(ii) a minimum of 30 hours per week
4 throughout a contractual or employment
5 period of at least 8 months in a 12-month
6 period; and

7 “(iii) with respect to an individual
8 who is in nontenure track employment at
9 an institution of higher education, the
10 equivalent of 30 hours per week as deter-
11 mined by multiplying each credit or con-
12 tact hour taught by such individual per
13 week by a number to be determined by the
14 Secretary.

15 “(E) INDEPENDENT CONTRACTOR.—The
16 term ‘independent contractor’ means an indi-
17 vidual who is not an employee and who is work-
18 ing in a public service job in a position or pro-
19 viding services which, under applicable State
20 law, cannot be filled or provided by an employee
21 of the public service job.”.

22 **SEC. 233. ONLINE PORTAL AND DATABASE OF PUBLIC**
23 **SERVICE JOBS.**

24 Section 455(m) of the Higher Education Act of 1965
25 is further amended by adding at the end the following:

1 “(9) ONLINE PORTAL AND DATABASE OF PUB-
2 LIC SERVICE JOBS.—

3 “(A) ONLINE PORTAL.—

4 “(i) BORROWERS.—The Secretary
5 shall establish an online portal that pro-
6 vides to borrowers of eligible Federal Di-
7 rect Loans the following information:

8 “(I) Instructions on how to ac-
9 cess the database established under
10 subparagraph (B) so that the bor-
11 rower can determine whether the bor-
12 rower is employed in a public service
13 job.

14 “(II) An identification of the
15 loans of the borrower that are eligible
16 Federal Direct Loans, and an identi-
17 fication of the qualifying repayment
18 plans for which such eligible Federal
19 Direct Loans qualify.

20 “(III) With respect to each such
21 eligible Federal Direct Loan—

22 “(aa) the number of quali-
23 fying monthly payments the bor-
24 rower has made in accordance
25 with paragraph (1); and

1 “(bb) the estimated number
2 of qualifying monthly payments
3 under such paragraph remaining
4 on such loan before the borrower
5 may be eligible for loan cancella-
6 tion under this subsection.

7 “(IV) With respect to each loan
8 of the borrower that is not eligible for
9 loan cancellation under paragraph (3)
10 of this subsection, an explanation of
11 why the loan is not so eligible and in-
12 structions on how what, if anything,
13 the borrower may do to make the loan
14 so eligible.

15 “(V) Instructions for the submis-
16 sion of any forms associated with such
17 loan cancellation, and an ability for
18 the borrower to use the portal to elec-
19 tronically sign and submit such forms.

20 “(VI) In a case in which a bor-
21 rower submits to the Secretary an ap-
22 plication for loan cancellation under
23 this subsection that is denied by the
24 Secretary—

1 “(aa) a notice of such denial
2 that meets each of the require-
3 ments of paragraph (4)(A), in-
4 cluding an explanation of the 90-
5 day forbearance period;

6 “(bb) a form that meets
7 each of the requirements of para-
8 graph (5)(A), which the borrower
9 may use to request reconsider-
10 ation of such denial, including
11 accepting an extension of the 90-
12 day forbearance period; and

13 “(cc) a notice of the Sec-
14 retary’s reconsideration decision,
15 which meets each of the require-
16 ments of paragraph (5)(C).

17 “(VII) An explanation of the
18 buyback payment process described in
19 paragraph (2)(C), and a form to re-
20 quest such a buyback, including the
21 eligible months for which the borrower
22 may request a buyback, and the
23 amount that the borrower would be
24 required to pay for such buyback.

1 “(VIII) An explanation of how
2 consolidating one or more Direct
3 Loans into a Direct Consolidation
4 Loan, including a Direct PLUS Loan
5 made to a parent borrower, will affect
6 the number of qualifying monthly pay-
7 ments attributed to the borrower.

8 “(ii) APPROPRIATE CONTACTS.—The
9 Secretary shall ensure that an appropriate
10 contact for a public service job of a bor-
11 rower has the option to electronically sign
12 and submit any forms associated with loan
13 cancellation under paragraph (3) of this
14 subsection.

15 “(iii) INFORMATION.—The Secretary
16 shall ensure that any information provided
17 through the online portal described in this
18 subparagraph contains up-to-date informa-
19 tion.

20 “(B) DATABASE OF PUBLIC SERVICE
21 JOBS.—

22 “(i) IN GENERAL.—The Secretary, in
23 consultation with the Secretary of Labor,
24 shall establish and regularly update a data-
25 base that lists public service jobs.

1 “(ii) PUBLIC AVAILABILITY.—The
2 database established under clause (i) shall
3 be made available on a publicly accessible
4 website of the Department of Education in
5 an easily searchable format.”.

6 **SEC. 234. TREATMENT OF CONSOLIDATED AND REFI-**
7 **NANCED LOANS.**

8 Section 455(m)(2) of the Higher Education Act of
9 1965 (20 U.S.C. 1087e(m)(2)), as amended by the pre-
10 ceding provisions of this Act, is further amended by insert-
11 ing after subparagraph (D) the following:

12 “(E) DETERMINATION OF NUMBER OF
13 QUALIFYING MONTHLY PAYMENTS FOR CON-
14 SOLIDATION LOANS.—With respect to deter-
15 mining the number of qualifying monthly pay-
16 ments for a borrower seeking loan forgiveness
17 under this subsection who consolidates one or
18 more Direct Loans into a Direct Consolidation
19 Loan, including a Direct PLUS Loan made to
20 a parent borrower, the Secretary shall use the
21 weighted average of the payments the borrower
22 made on the Direct Loans prior to consoli-
23 dating that met the criteria under this sub-
24 section.”.

1 **SEC. 235. LOAN FORGIVENESS FOR TEACHERS.**

2 (a) IN GENERAL.—The Higher Education Act of
3 1965 (20 U.S.C. 1001 et seq.) is further amended—

4 (1) in section 428J(g)(2) (20 U.S.C. 1078–
5 10(g)(2))—

6 (A) in subparagraph (A), by inserting “or”
7 after the semicolon at the end;

8 (B) by striking subparagraph (B); and

9 (C) by redesignating subparagraph (C) as
10 subparagraph (B); and

11 (2) in section 460(g)(2) (20 U.S.C.
12 1087j(g)(2))—

13 (A) in subparagraph (A), by inserting “or”
14 after the semicolon at the end;

15 (B) by striking subparagraph (B); and

16 (C) by redesignating subparagraph (C) as
17 subparagraph (B).

18 (b) CONFORMING AMENDMENT.—Section 455(m)(7)
19 of the Higher Education Act of 1965, as redesignated by
20 section 231(b) of this Act, is amended by striking “section
21 428J, 428K, 428L, or 460” and inserting “section 428K
22 or 428L”.

23 **SEC. 236. GAO STUDY ON DATA MATCHING AGREEMENTS**
24 **FOR PUBLIC SERVICE LOAN FORGIVENESS.**

25 (a) IN GENERAL.—The Comptroller General of the
26 United States shall conduct a study on the feasibility of

1 establishing data matching agreements for public service
2 loan forgiveness under section 455(m) of the Higher Edu-
3 cation Act of 1965 (20 U.S.C. 1087e(m)) that would allow
4 a borrower to forego requesting certification of employ-
5 ment from the appropriate contact for the public service
6 job of the borrower. The study shall include an examina-
7 tion of the Department of Education and the Department
8 of Defense's progress towards automatic data matching
9 for military and veteran borrowers.

10 (b) REPORT.—Not later than 1 year after the date
11 of enactment of this Act, the Comptroller General shall
12 submit a report to the Committee on Education and
13 Workforce of the House of Representatives and the Com-
14 mittee on Health, Education, Labor, and Pensions of the
15 Senate containing the findings and recommendations re-
16 sulting from the study required under subsection (a).

17 (c) COOPERATION.—The head of each relevant Fed-
18 eral agency, including the Secretary of Education, Sec-
19 retary of Defense, and Commissioner of Internal Revenue,
20 shall cooperate with the Comptroller General to facilitate
21 the completion of the study required under subsection (a).

1 **PART E—SUPPORT FOR BORROWERS IN**
2 **DEFAULT**

3 **SEC. 241. REMOVAL OF RECORD OF DEFAULT.**

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

7 **“SEC. 494C. REMOVAL OF RECORD OF DEFAULT.**

8 “Upon repaying in full the amount due on a defaulted
9 loan made, insured, or guaranteed under this title, the
10 Secretary, guaranty agency, or other holder of the loan
11 shall request any consumer reporting agency to which the
12 Secretary, guaranty agency, or holder, as applicable, re-
13 ported the default of the loan, to remove any adverse item
14 of information relating to such loan from the borrower’s
15 credit history.”.

16 **SEC. 242. REMOVAL OF RECORD OF DEFAULT FROM CRED-**
17 **IT HISTORY UPON LOAN CONSOLIDATION.**

18 Section 455(g) of the Higher Education Act of 1965
19 (20 U.S.C. 1087e(g)) is amended by adding at the end
20 the following:

21 “(3) CONSUMER REPORTING AGENCIES.—Upon
22 obtaining a Federal Direct Consolidation Loan that
23 discharges the liability on a defaulted loan made, in-
24 sured, or guaranteed under this title, the Secretary,
25 guaranty agency, or other holder of the loan shall
26 request any consumer reporting agency to which the

1 Secretary, guaranty agency or holder, as applicable,
 2 reported the default of the loan, to remove any ad-
 3 verse item of information relating to such loan from
 4 the borrower's credit history.”.

5 **SEC. 243. DEFAULT REDUCTION PROGRAM.**

6 Section 428F of the Higher Education Act of 1965
 7 (20 U.S.C. 1078–6(a)) is amended by adding at the end
 8 the following:

9 “(d) DEFAULT REDUCTION PROGRAM.—Notwith-
 10 standing subsection (a), beginning on July 1, 2026, with
 11 respect to a defaulted loan made, insured, or guaranteed
 12 under this part or part D, the following shall apply:

13 “(1) REHABILITATION AUTHORIZED.—

14 “(A) IN GENERAL.—Such a defaulted loan
 15 (other than a loan described in subparagraph
 16 (B)) shall be rehabilitated if the borrower
 17 makes 9 voluntary, reasonable and affordable
 18 monthly payments within 20 days of the due
 19 date during 10 consecutive months. The Sec-
 20 retary determines the amount of a borrower's
 21 reasonable and affordable payment on the basis
 22 of a borrower's total financial circumstances.

23 “(B) INELIGIBLE LOANS.—A defaulted
 24 loan may not be eligible for rehabilitation under
 25 this subsection if—

1 “(i) a judgment has been obtained on
2 such loan; or

3 “(ii) such loan has been obtained by
4 fraud for which the borrower has been con-
5 victed of, or has pled nolo contendere or
6 guilty to, a crime involving fraud in obtain-
7 ing financial assistance under this title.

8 “(C) LIMITATION ON BORROWER.—A bor-
9 rower may obtain the benefits available under
10 this subsection with respect to rehabilitating a
11 loan not more than two times per loan.

12 “(D) LIMITATION ON THE SECRETARY.—
13 During the rehabilitation period described in
14 this paragraph, the Secretary shall limit contact
15 with the borrower on the loan being rehabili-
16 tated to collection activities that are required by
17 law or regulation and to communications that
18 support the rehabilitation.

19 “(2) DETERMINATION OF REASONABLE AND
20 AFFORDABLE PAYMENT.—

21 “(A) IN GENERAL.—Subject to subpara-
22 graphs (A) through (H), the Secretary shall
23 consider the borrower’s reasonable and afford-
24 able payment amount to be an amount equal to
25 the minimum payment required under the In-

1 come-Driven Repayment Plan, except that if
2 such amount is less than \$5, the borrower's
3 monthly payment shall be \$5.

4 “(B) DOCUMENTATION REQUIREMENT.—

5 The Secretary may calculate the payment
6 amount based on information provided orally by
7 the borrower or the borrower's representative
8 and provide the borrower with a rehabilitation
9 agreement using that amount. The Secretary
10 requires the borrower to provide documentation
11 to confirm the borrower's adjusted gross income
12 and family size. If the borrower does not pro-
13 vide the Secretary with any documentation re-
14 quested by the Secretary to calculate or confirm
15 the reasonable and affordable payment amount
16 within a reasonable time deadline set by the
17 Secretary, the rehabilitation agreement provided
18 is null and void. A borrower may request that
19 the monthly payment amount be adjusted due
20 to a change in the borrower's total financial cir-
21 cumstances only upon providing the documenta-
22 tion specified in paragraph (3).

23 “(C) PROHIBITIONS.—For purposes of

24 subparagraph (A), a reasonable and affordable
25 payment amount shall not—

1 “(i) be a required minimum loan pay-
2 ment amount if the Secretary determines
3 that a smaller amount is reasonable and
4 affordable;

5 “(ii) a percentage of the borrower’s
6 total loan balance; or

7 “(iii) based on other criteria unrelated
8 to the borrower’s total financial cir-
9 cumstances.

10 “(D) REHABILITATION PAYMENT AGREE-
11 MENT.—

12 “(i) IN GENERAL.—Not later than 15
13 business days of the Secretary’s determina-
14 tion of the borrower’s loan rehabilitation
15 payment amount, the Secretary shall pro-
16 vide the borrower with a written rehabilita-
17 tion agreement which shall include—

18 “(I) the borrower’s reasonable
19 and affordable payment amount, a
20 prominent statement that the bor-
21 rower may object orally or in writing
22 to the reasonable and affordable pay-
23 ment amount with the method and
24 timeframe for raising such an objec-
25 tion;

1 “(II) a statement that the reha-
2 bilitation is null and void if the bor-
3 rower does not provide the docu-
4 mentation required to calculate the
5 reasonable and affordable payment
6 amount;

7 “(III) an explanation of any
8 other terms and conditions applicable
9 to the required series of payments
10 that must be made; and

11 “(IV) information on the effects
12 of having the loans rehabilitated.

13 “(ii) ACCEPTANCE BY THE BOR-
14 ROWER.—To accept the agreement, the
15 borrower shall sign and return the agree-
16 ment or accept the agreement electroni-
17 cally under a process provided by the Sec-
18 retary.

19 “(iii) PROHIBITION.—The Secretary
20 may not impose any other conditions unre-
21 lated to the amount or timing of the reha-
22 bilitation payments in the rehabilitation
23 agreement.

24 “(E) STATEMENT CONFIRMING REASON-
25 ABLE AND AFFORDABLE PAYMENT AMOUNT.—

1 The Secretary shall provide the borrower with
2 a written statement that—

3 “(i) confirms the borrower’s reason-
4 able and affordable payment amount, as
5 determined by the Secretary;

6 “(ii) explains any other terms and
7 conditions applicable to the required series
8 of payments that shall be made before the
9 borrower’s account can be rehabilitated;

10 “(iii) informs the borrower that the
11 borrower may object to the terms and con-
12 ditions of the rehabilitation agreement; and

13 “(iv) explains the method and time-
14 frame for objecting to the terms and condi-
15 tions of the rehabilitation agreement.

16 “(F) OBJECTION BY BORROWER.—If the
17 borrower objects to the monthly payment
18 amount described in the statement under sub-
19 paragraph (E), the Secretary shall recalculate
20 the payment based solely on information pro-
21 vided on a form approved by the Secretary and,
22 if requested, supporting documentation from
23 the borrower and other sources, and shall con-
24 sider each of the following:

1 “(i) The borrower’s, and if applicable,
2 the spouse’s current disposable income, in-
3 cluding public assistance payments, and
4 other income received by the borrower and
5 the spouse, such as welfare benefits, Social
6 Security benefits, Supplemental Security
7 Income, and workers’ compensation.
8 Spousal income is not considered if the
9 spouse does not contribute to the bor-
10 rower’s household income.

11 “(ii) Family size.

12 “(iii) Reasonable and necessary ex-
13 penses, which shall include—

14 “(I) Food.

15 “(II) Housing.

16 “(III) Utilities.

17 “(IV) Basic communication ex-
18 penses.

19 “(V) Necessary medical and den-
20 tal costs.

21 “(VI) Necessary insurance costs.

22 “(VII) Transportation costs.

23 “(VIII) Dependent care and
24 other work-related expenses.

1 “(IX) Legally required child and
2 spousal support.

3 “(X) Other student loan pay-
4 ments for loans made, insured, or
5 guaranteed under this title, or any
6 other Federal law.

7 “(XI) Other expenses approved
8 by the Secretary.

9 “(G) NEW REHABILITATION AGREE-
10 MENT.—The Secretary shall provide the bor-
11 rower with a new written rehabilitation agree-
12 ment confirming the borrower’s recalculated
13 reasonable and affordable payment amount. To
14 accept the agreement, the borrower must sign
15 and return the agreement or accept the agree-
16 ment electronically under a process provided by
17 the Secretary.

18 “(H) CHANGE IN CIRCUMSTANCES.—A
19 borrower may request that the monthly pay-
20 ment amount be adjusted due to a change in
21 the borrower’s total financial circumstances
22 only upon providing the documentation specified
23 in subparagraph (F).

24 “(3) ADMINISTRATIVE WAGE GARNISHMENT.—

1 “(A) IN GENERAL.—If a borrower’s loan is
2 being collected by administrative wage garnish-
3 ment while the borrower is also making monthly
4 payments on the same loan under a loan reha-
5 bilitation agreement, the Secretary shall con-
6 tinue collecting the loan by administrative wage
7 garnishment until the borrower makes five
8 qualifying monthly payments under the rehabili-
9 tation agreement, unless the Secretary is other-
10 wise precluded from doing so.

11 “(B) SUSPENSION.—After the borrower
12 makes the fifth qualifying monthly payment,
13 the Secretary, unless otherwise directed by the
14 borrower, suspends the garnishment order
15 issued to the borrower’s employer.

16 “(C) LIMITATION.—A borrower may only
17 obtain the benefit of a suspension of adminis-
18 trative wage garnishment while also attempting
19 to rehabilitate a defaulted loan once.

20 “(4) INSTRUCTION TO CONSUMER REPORTING
21 AGENCY.—If a defaulted loan is rehabilitated, the
22 Secretary shall instruct any consumer reporting
23 agency to which the default was reported to remove
24 the default, and any adverse item of information re-

1 lating to such loan, from the borrower’s credit his-
2 tory.

3 “(e) REMOVAL FROM DEFAULT.—Beginning on July
4 1, 2026, the Secretary shall not consider a borrower in
5 default on a loan if—

6 “(1) the borrower provides information nec-
7 essary to calculate a payment under an income-con-
8 tingent or income-based repayment plan under this
9 part or;

10 “(2) the payment calculated pursuant to such a
11 repayment plan is \$0; and

12 “(3) the income information used to calculate
13 such payment covers the date on which the loan de-
14 faulted.”.

15 **TITLE III—INTEREST** 16 **CAPITALIZATION**

17 **SEC. 301. ELIMINATION OF INTEREST CAPITALIZATION.**

18 (a) FEDERAL PLUS LOANS.—Section 428B(d)(2) of
19 the Higher Education Act of 1965 (20 U.S.C. 1078–
20 2(d)(2)) is amended to read as follows:

21 “(2) NO CAPITALIZATION OF INTEREST.—Inter-
22 est on loans made under this section for which pay-
23 ments of principal are deferred pursuant to para-
24 graph (1) shall be paid by the borrower and shall
25 not be capitalized.”.

1 (b) FEDERAL CONSOLIDATION LOANS DEFER-
2 RALS.—Section 428C(b)(4)(C)(ii)(III) of the Higher Edu-
3 cation Act of 1965 (20 U.S.C. 1078–3(b)(4)(C)(III)) is
4 amended by striking “or capitalized,”.

5 (c) DEFAULT REDUCTION PROGRAM.—Section
6 428F(a)(1)(E) of such Act of 1965 (20 U.S.C. 1078–
7 6(a)(1)(E)) is amended to read as follows:

8 “(E) DUTIES UPON ASSIGNMENT.—With
9 respect to a loan assigned under subparagraph
10 (A)(ii)—

11 “(i) the guaranty agency shall add to
12 the principal and interest outstanding at
13 the time of the assignment of such loan an
14 amount equal to the amount described in
15 subparagraph (D)(i)(II)(aa);

16 “(ii) the Secretary shall pay the guar-
17 anty agency, for deposit in the agency’s
18 Operating Fund established pursuant to
19 section 422B, an amount equal to the
20 amount added to the principal and interest
21 outstanding at the time of the assignment
22 in accordance with clause (i);

23 “(iii) for a loan assigned on or after
24 the date of enactment of the LOAN Act,
25 the interest outstanding at the time of the

1 assignment of such loan, and any interest
 2 accruing after such time, shall not be cap-
 3 italized; and

4 “(iv) beginning on the date of enact-
 5 ment of LOAN Act, interest shall only ac-
 6 crue on the percentage of such a loan that
 7 is equal to—

8 “(I) the amount of the out-
 9 standing principal on the original loan
 10 on the date it was assigned; divided
 11 by

12 “(II) the total amount of such
 13 assigned loan, including interest out-
 14 standing at the time of the assign-
 15 ment of such loan and the amount
 16 added by the guaranty agency in ac-
 17 cordance with clause (i), on the date
 18 such loan was assigned.”.

19 (d) LOAN LIMITS FOR UNSUBSIDIZED STAFFORD
 20 LOANS.—Section 428H(d)(5) of the Higher Education
 21 Act of 1965 (20 U.S.C. 1078–8(d)(5)) is amended by in-
 22 serting “before the date of enactment of the LOAN Act”
 23 after “Interest capitalized”.

24 (e) UNSUBSIDIZED STAFFORD LOANS FOR MIDDLE
 25 INCOME BORROWERS.—Section 428H(e)(2) of the Higher

1 Education Act of 1965 (20 U.S.C. 1078–8(e)(2)) is
2 amended—

3 (1) in the header, by striking “CAPITALIZA-
4 TION” and inserting “NO CAPITALIZATION”;

5 (2) in subparagraph (A), in the matter before
6 clause (i), by striking “, if agreed upon by the bor-
7 rower and the lender” and all that follows through
8 clause (ii)(IV) and inserting “be paid by the bor-
9 rower and shall not be capitalized.”;

10 (3) by striking subparagraph (B); and

11 (4) by redesignating subparagraph (C) as sub-
12 paragraph (B).

13 (f) INCOME CONTINGENT REPAYMENT.—Section
14 455(e)(5) of the Higher Education Act of 1965 (20 U.S.C.
15 1087e(e)(5)) is amended by striking the last sentence and
16 inserting “No interest may be capitalized on such loan on
17 or after the date of the enactment of the LOAN Act, and
18 the Secretary shall promulgate regulations with respect to
19 the treatment of accrued interest that is not capitalized”.

20 (g) DEFERMENT AND FORBEARANCE.—

21 (1) IN GENERAL.—Section 455(f) of the Higher
22 Education Act of 1965 (20 U.S.C. 1087e(f)) is
23 amended—

24 (A) in the subsection heading, by inserting
25 at the end the following: “AND FORBEARANCE”;

1 (B) in subparagraph (B), by striking “cap-
2 italized or”; and

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

4 “(6) FORBEARANCE.—At the expiration of a
5 period of forbearance, interest shall not be capital-
6 ized on any loans made under this part.”.

7 (2) APPLICATION OF AMENDMENT.—The
8 amendments made by paragraph (1) shall apply to
9 any deferment or forbearance period in effect on the
10 date of enactment of this Act, or any deferment or
11 forbearance period beginning on or after such date
12 of enactment.

13 (h) INCOME-BASED REPAYMENT PROGRAM.—Section
14 493C(b)(3) of the Higher Education Act of 1965 (20
15 U.S.C. 1098e(b)(3)) is amended to read as follows:

16 “(3) on subsidized loans, any interest due and
17 not paid under paragraph (2) shall be paid by the
18 Secretary for a period of not more than 3 years
19 after the date of the borrower’s election under para-
20 graph (1), except that such period shall not include
21 any period during which the borrower is in
22 deferment due to an economic hardship described in
23 section 435(o);”.

24 (i) NOTES AND INSURANCE CERTIFICATES IN COM-
25 BINED PAYMENT PLANS.—Section 485A(f) of the Higher

1 Education Act of 1965 (20 U.S.C. 1092a(f)) is amended
 2 by adding at the end the following new paragraph:

3 “(3) TREATMENT OF INTEREST.—Not with-
 4 standing paragraphs (1) and (2), beginning on the
 5 date of enactment of the LOAN Act, interest on a
 6 loan reissued under subsection (e) shall not be cap-
 7 italized, and interest shall only accrue on the per-
 8 centage of such reissued loan that is equal to—

9 “(A) the amount of the outstanding prin-
 10 cipal on the original loan on the date it was re-
 11 issued; divided by

12 “(B) the total amount of such reissued
 13 loan on the date such loan was reissued.”.

14 **SEC. 302. ELIMINATION OF DISCLOSURE REQUIREMENTS**
 15 **RELATING TO CAPITALIZATION.**

16 (a) INSURANCE PROGRAM AGREEMENTS TO QUAL-
 17 IFY LOANS FOR INTEREST SUBSIDIES.—Section
 18 428(b)(1)(Y) of the Higher Education Act of 1965 (20
 19 U.S.C. 1078(b)(1)(Y)) is amended—

20 (1) in clause (i)(IV), by inserting “and” after
 21 the semicolon;

22 (2) in clause (ii), by striking “; and” and in-
 23 serting a period; and

24 (3) by striking clause (iii).

1 (b) FORBEARANCE.—Section 428(c)(3)(C) of such
2 Act of 1965 (20 U.S.C. 1078(c)(3)(C)) is amended—

3 (1) in clause (ii), by inserting “and” after the
4 semicolon; and

5 (2) by striking clauses (iii) and (iv) and insert-
6 ing the following:

7 “(iii) the lender shall contact the bor-
8 rower not less often than once every 180
9 days during the period of forbearance to
10 inform the borrower of—

11 “(I) the amount of unpaid prin-
12 cipal and the amount of interest that
13 has accrued since the last statement
14 of such amounts provided to the bor-
15 rower by the lender;

16 “(II) the fact that interest will
17 accrue on the loan for the period of
18 forbearance;

19 “(III) the responsibility of the
20 borrower to pay the interest that has
21 accrued; and

22 “(IV) the borrower’s option to
23 discontinue the forbearance at any
24 time; and”.

1 (c) REQUIRED DISCLOSURE BEFORE DISBURSE-
2 MENT.—Section 433(a) of the Higher Education Act of
3 1965 (20 U.S.C. 1083(a)) is amended—

4 (1) by amending paragraph (6) to read as fol-
5 lows:

6 “(6) for loans made under section 428H or to
7 a student borrower under section 428B, an expla-
8 nation that the borrower has the option to pay the
9 interest that accrues on the loan while the borrower
10 is a student at an institution of higher education;”;
11 and

12 (2) in paragraph (7)—

13 (A) in subparagraph (A), by inserting
14 “and” after the semicolon;

15 (B) by striking subparagraph (B); and

16 (C) by redesignating subparagraph (C) as
17 subparagraph (B).

18 (d) REQUIRED DISCLOSURE BEFORE REPAYMENT.—
19 Section 433(b)(3) of the Higher Education Act of 1965
20 (20 U.S.C. 1083(b)(3)) is amended by striking “(includ-
21 ing, if applicable, the estimated amount of interest to be
22 capitalized)”.

23 (e) SPECIAL DISCLOSURE RULES ON PLUS LOANS
24 AND UNSUBSIDIZED LOANS.—Section 433(d) of the High-

1 er Education Act of 1965 (20 U.S.C. 1083(d)) is amend-
2 ed—

3 (1) in the matter preceding paragraph (1)—

4 (A) by striking “resulting from capitaliza-
5 tion of interest”; and

6 (B) by striking “borrower of—” and in-
7 serting “borrower of paying the interest as the
8 interest accrues.”; and

9 (2) by striking paragraphs (1) and (2).

10 (f) DISCLOSURE REQUIRED PRIOR TO PERKINS RE-
11 PAYMENT.—Section 463A(b)(3) of the Higher Education
12 Act of 1965 (20 U.S.C. 1087cc–1(b)(3)) is amended by
13 striking “(including, if applicable, the estimated amount
14 of interest to be capitalized)”.

15 (g) DEPARTMENTAL PUBLICATION OF DESCRIP-
16 TIONS OF ASSISTANCE PROGRAMS.—Section 485(d)(1) of
17 the Higher Education Act of 1965 (20 U.S.C. 1092(d)(1))
18 is amended by striking “, including the increase in debt
19 that results from capitalization of interest”.

20 (h) INFORMATION TO BE PROVIDED DURING EN-
21 TRANCE COUNSELING FOR BORROWERS.—Section
22 485(l)(2)(C) of the Higher Education Act of 1965 (20
23 U.S.C. 1092(l)(2)) is amended by striking “and is capital-
24 ized”.

1 **TITLE IV—INTEREST RATES**

2 **SEC. 401. INTEREST RATE PROVISIONS FOR NEW FEDERAL**
3 **STUDENT LOANS ON OR AFTER JULY 1, 2026.**

4 Section 455(b) of the Higher Education Act of 1965
5 (20 U.S.C. 1087e(b)) is amended—

6 (1) in paragraph (8)—

7 (A) in the paragraph heading, by inserting
8 “, AND BEFORE JULY 1, 2026” before the period;
9 and

10 (B) by inserting “and before July 1,
11 2026,” after “July 1, 2013,” each place it ap-
12 pears;

13 (2) by redesignating paragraphs (9) and (10)
14 as paragraphs (10) and (11), respectively; and

15 (3) by inserting after paragraph (8) the fol-
16 lowing new paragraph:

17 “(9) INTEREST RATE PROVISIONS FOR NEW
18 LOANS ON OR AFTER JULY 1, 2026.—

19 “(A) RATE FOR FDSL, FDUSL, AND PLUS
20 LOANS.—Notwithstanding the preceding para-
21 graphs of this subsection, for Federal Direct
22 Stafford Loans, Federal Direct Unsubsidized
23 Stafford Loans, and Federal Direct PLUS
24 Loans, for which the first disbursement is made
25 on or after July 1, 2026, the applicable rate of

1 interest shall, for loans disbursed during any
2 12-month period beginning on July 1 and end-
3 ing on June 30, be determined on the preceding
4 June 1 and be equal to the lesser of—

5 “(i) a rate equal to the high yield of
6 the 10-year Treasury note auctioned at the
7 final auction held prior to such June 1; or

8 “(ii) 5.0 percent.

9 “(B) CONSOLIDATION LOANS.—Notwith-
10 standing the preceding paragraphs of this sub-
11 section, any Federal Direct Consolidation Loan
12 for which the application is received on or after
13 July 1, 2026, shall—

14 “(i) bear interest at an annual rate on
15 the unpaid principal balance of the loan
16 that is equal to the lesser of—

17 “(I) the weighted average of the
18 interest rates on the loans consoli-
19 dated, rounded to the nearest higher
20 one-eighth of one percent; or

21 “(II) 5.0 percent; and

22 “(ii) only accrue interest on the per-
23 centage of such Federal Direct Consolida-
24 tion Loan that is equal to—

1 “(I) the amount of the sum of
2 the unpaid principal on the loans con-
3 solidated; divided by

4 “(II) the total amount of such
5 Federal Direct Consolidation Loan.

6 “(C) CONSULTATION.—The Secretary shall
7 determine the applicable rate of interest under
8 this paragraph after consultation with the Sec-
9 retary of the Treasury and shall publish such
10 rate in the Federal Register as soon as prac-
11 ticable after the date of determination.

12 “(D) FIXED RATE.—The applicable rate of
13 interest determined under this paragraph for a
14 Federal Direct Stafford Loan, a Federal Direct
15 Unsubsidized Stafford Loan, a Federal Direct
16 PLUS Loan, or a Federal Direct Consolidation
17 Loan shall be fixed for the period of the loan.”.

18 **SEC. 402. REFINANCING FFEL AND FEDERAL DIRECT**
19 **LOANS.**

20 Part D of title IV of the Higher Education Act of
21 1965 (20 U.S.C. 1087a et seq.) is amended by adding at
22 the end the following:

1 **“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT**
2 **LOANS.**

3 “(a) IN GENERAL.—The Secretary shall establish a
4 program under which the Secretary, upon the receipt of
5 an application from a qualified borrower, makes a loan
6 under this part, in accordance with the provisions of this
7 section, in order to permit the borrower to obtain the in-
8 terest rate provided under subsection (c).

9 “(b) REFINANCING DIRECT LOANS.—

10 “(1) FEDERAL DIRECT LOANS.—Upon applica-
11 tion of a qualified borrower, the Secretary shall
12 repay a Federal Direct Stafford Loan, a Federal Di-
13 rect Unsubsidized Stafford Loan, a Federal Direct
14 PLUS Loan, or a Federal Direct Consolidation
15 Loan of the qualified borrower, for which the first
16 disbursement was made, or the application for the
17 consolidation loan was received, before July 1, 2026,
18 with the proceeds of a refinanced Federal Direct
19 Stafford Loan, a Federal Direct Unsubsidized Staf-
20 ford Loan, a Federal Direct PLUS Loan, or a Fed-
21 eral Direct Consolidation Loan, respectively, issued
22 to the borrower in an amount equal to the sum of
23 the unpaid principal, accrued unpaid interest, and
24 late charges of the original loan.

25 “(2) REFINANCING FFEL PROGRAM LOANS AS
26 REFINANCED FEDERAL DIRECT LOANS.—Upon ap-

1 plication of a qualified borrower for any loan that
2 was made, insured, or guaranteed under part B and
3 for which the first disbursement was made, or the
4 application for the consolidation loan was received,
5 before July 1, 2010, the Secretary shall make a loan
6 under this part, in an amount equal to the sum of
7 the unpaid principal, accrued unpaid interest, and
8 late charges of the original loan to the borrower in
9 accordance with the following:

10 “(A) The Secretary shall pay the proceeds
11 of such loan to the eligible lender of the loan
12 made, insured, or guaranteed under part B, in
13 order to discharge the borrower from any re-
14 maining obligation to the lender with respect to
15 the original loan.

16 “(B) A loan made under this section that
17 was originally—

18 “(i) a loan originally made, insured,
19 or guaranteed under section 428 shall be a
20 Federal Direct Stafford Loan;

21 “(ii) a loan originally made, insured,
22 or guaranteed under section 428B shall be
23 a Federal Direct PLUS Loan;

24 “(iii) a loan originally made, insured,
25 or guaranteed under section 428H shall be

1 a Federal Direct Unsubsidized Stafford
2 Loan; and

3 “(iv) a loan originally made, insured,
4 or guaranteed under section 428C shall be
5 a Federal Direct Consolidation Loan.

6 “(C) The interest rate for each loan made
7 by the Secretary under this paragraph shall be
8 the rate provided under subsection (c).

9 “(c) INTEREST RATES.—

10 “(1) IN GENERAL.—The interest rate for the
11 refinanced Federal Direct Stafford Loans, Federal
12 Direct Unsubsidized Stafford Loans, Federal Direct
13 PLUS Loans, and Federal Direct Consolidation
14 Loans, shall be a rate equal to—

15 “(A) in any case where the original loan
16 was a loan under section 428, 428B, 428H, a
17 Federal Direct Stafford loan, a Federal Direct
18 Unsubsidized Stafford Loan, or a Federal Di-
19 rect PLUS Loan, a rate equal to the interest
20 rate determined under section 455(b)(9)(A) for
21 the date on which the refinanced loan is made;
22 and

23 “(B) in any case where the original loan
24 was a loan under section 428C or a Federal Di-

1 rect Consolidation Loan, a rate calculated in ac-
2 cordance with paragraph (2).

3 “(2) INTEREST RATES FOR CONSOLIDATION
4 LOANS.—

5 “(A) METHOD OF CALCULATION.—In
6 order to determine the interest rate for any re-
7 financed Federal Direct Consolidation Loan
8 under paragraph (1)(B), the Secretary shall—

9 “(i) determine each of the component
10 loans that were originally consolidated in
11 the loan under section 428C or the Federal
12 Direct Consolidation Loan, and calculate
13 the proportion of the unpaid principal bal-
14 ance of the loan under section 428C or the
15 Federal Direct Consolidation Loan that
16 each component loan represents;

17 “(ii) use the proportions determined
18 in accordance with clause (i) and the inter-
19 est rate applicable for each component
20 loan, as determined under subparagraph
21 (B), to calculate the weighted average of
22 the interest rates on the loans consolidated
23 into the loan under section 428C or the
24 Federal Direct Consolidation Loan; and

1 “(iii) make the applicable interest rate
2 for the refinanced Federal Direct Consoli-
3 dation Loan the lesser of—

4 “(I) the weighted average cal-
5 culated under clause (ii); or

6 “(II) 5.0 percent.

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

12 “(i) The interest rate for any loan
13 under section 428, 428B, 428H, Federal
14 Direct Stafford Loan, Federal Direct Un-
15 subsidized Stafford Loan, or Federal Di-
16 rect PLUS Loan shall be a rate equal to
17 the lesser of—

18 “(I) the interest rate determined
19 under section 455(b)(9)(A) for the
20 date on which the component loan is
21 made; or

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

24 “(ii) The interest rate for any compo-
25 nent loan that is a loan under section

1 428C or a Federal Direct Consolidation
2 Loan shall be the lesser of—

3 “(I) the weighted average of the
4 interest rates that would apply under
5 this subparagraph for each loan com-
6 prising the component consolidation
7 loan; or

8 “(II) 5 percent.

9 “(iii) The interest rate for any eligible
10 loan that is a component of a loan made
11 under section 428C or a Federal Direct
12 Consolidation Loan and is not described in
13 clauses (i) or (ii) shall be the lesser of—

14 “(I) the interest rate on the
15 original component loan; or

16 “(II) 5 percent.

17 “(3) FIXED RATE.—The applicable rate of in-
18 terest determined under paragraph (1) for a refi-
19 nanced loan under this section shall be fixed for the
20 period of the loan.

21 “(4) CAPITALIZED INTEREST AND FEES EX-
22 CLUDED.—With respect to a refinanced loan under
23 this section, interest shall only accrue on the per-
24 centage of such refinanced loan that is equal to—

1 “(A) the amount of the unpaid principal of
2 the original loan, or in the case of a refinanced
3 Federal Direct Consolidation Loan, the sum of
4 the unpaid principal of all the component loans,
5 comprising the refinanced loan; divided by

6 “(B) the total amount of such refinanced
7 loan.

8 “(d) TERMS AND CONDITIONS OF LOANS.—

9 “(1) IN GENERAL.—A loan that is refinanced
10 under this section shall have the same terms and
11 conditions as the original loan, except as otherwise
12 provided in this section.

13 “(2) NO AUTOMATIC EXTENSION OF REPAY-
14 MENT PERIOD.—Refinancing a loan under this sec-
15 tion shall not result in the extension of the duration
16 of the repayment period of the loan, and the bor-
17 rower shall retain the same repayment term that
18 was in effect on the original loan. Nothing in this
19 paragraph shall be construed to prevent a borrower
20 from electing a different repayment plan at any time
21 in accordance with section 455A(a).

22 “(e) DEFINITION OF QUALIFIED BORROWER.—For
23 purposes of this section, the term ‘qualified borrower’
24 means a borrower—

1 “(1) of a loan under this part or part B for
 2 which the first disbursement was made, or the appli-
 3 cation for a consolidation loan was received, before
 4 July 1, 2026; and

5 “(2) who has one or more loans described in
 6 paragraph (1) or (2) of subsection (b) with an inter-
 7 est rate that exceeds 5 percent.

8 “(f) NOTIFICATION TO BORROWERS.—The Secretary,
 9 in coordination with the Director of the Bureau of Con-
 10 sumer Financial Protection, shall undertake a campaign
 11 to alert borrowers of loans that are eligible for refinancing
 12 under this section that the borrowers are eligible to apply
 13 for such refinancing. The campaign shall include the fol-
 14 lowing activities:

15 “(1) Developing consumer information mate-
 16 rials about the availability of Federal student loan
 17 refinancing.

18 “(2) Requiring servicers of loans under this
 19 part or part B to provide such consumer information
 20 to borrowers in a manner determined appropriate by
 21 the Secretary, in consultation with the Director of
 22 the Bureau of Consumer Financial Protection.”.

23 **SEC. 403. REFINANCING PRIVATE STUDENT LOANS.**

24 Part D of title IV of the Higher Education Act of
 25 1965 (20 U.S.C. 1087a et seq.), as amended by section

1 402, is further amended by adding at the end the fol-
 2 lowing:

3 **“SEC. 460B. FEDERAL DIRECT REFINANCED PRIVATE LOAN**
 4 **PROGRAM.**

5 “(a) DEFINITIONS.—In this section:

6 “(1) ELIGIBLE PRIVATE EDUCATION LOAN.—

7 The term ‘eligible private education loan’ means a
 8 private education loan, as defined in section 140(a)
 9 of the Truth in Lending Act (15 U.S.C. 1650(a)),
 10 that—

11 “(A) was disbursed to the borrower before
 12 July 1, 2026; and

13 “(B) was for the borrower’s own postsec-
 14 ondary educational expenses for an eligible pro-
 15 gram at an institution of higher education par-
 16 ticipating in the loan program under this part,
 17 as of the date that the loan was disbursed.

18 “(2) FEDERAL DIRECT REFINANCED PRIVATE
 19 LOAN.—The term ‘Federal Direct Refinanced Pri-
 20 vate Loan’ means a loan issued under subsection
 21 (b)(1).

22 “(3) PRIVATE EDUCATIONAL LENDER.—The
 23 term ‘private educational lender’ has the meaning
 24 given the term in section 140(a) of the Truth in
 25 Lending Act (15 U.S.C. 1650(a)).

1 “(4) QUALIFIED BORROWER.—The term ‘quali-
2 fied borrower’ means an individual who—

3 “(A) has an eligible private education loan;

4 “(B) has been current on payments on the
5 eligible private education loan for the 6 months
6 prior to the date of the qualified borrower’s ap-
7 plication for refinancing under this section, and
8 is in good standing on the loan at the time of
9 such application;

10 “(C) is not in default on the eligible pri-
11 vate education loan or on any loan made, in-
12 sured, or guaranteed under this part or part B
13 or E; and

14 “(D) meets the eligibility requirements de-
15 scribed in subsection (b)(2).

16 “(b) PROGRAM AUTHORIZED.—

17 “(1) IN GENERAL.—The Secretary, in consulta-
18 tion with the Secretary of the Treasury, shall carry
19 out a program under which the Secretary, upon ap-
20 plication by a qualified borrower who has an eligible
21 private education loan, shall issue such borrower a
22 loan under this part in accordance with the fol-
23 lowing:

24 “(A) The loan issued under this program
25 shall be in an amount equal to the sum of the

1 unpaid principal, accrued unpaid interest, and
2 late charges of the private education loan.

3 “(B) The Secretary shall pay the proceeds
4 of the loan issued under this program to the
5 private educational lender of the private edu-
6 cation loan, in order to discharge the qualified
7 borrower from any remaining obligation to the
8 lender with respect to the original loan.

9 “(C) The Secretary shall require that the
10 qualified borrower undergo loan counseling that
11 provides all of the relevant information and
12 counseling required under section 485(l)(2) be-
13 fore the loan is refinanced in accordance with
14 this section, and before the proceeds of such
15 loan are paid to the private educational lender.

16 “(D) The Secretary shall issue the loan as
17 a Federal Direct Refinanced Private Loan,
18 which shall have the same terms, conditions,
19 and benefits as a Federal Direct Unsubsidized
20 Stafford Loan, except as otherwise provided in
21 this section.

22 “(E) The interest rate for each loan made
23 by the Secretary under this section shall be the
24 rate provided under subsection (c).

1 “(2) BORROWER ELIGIBILITY.—The Secretary,
2 in consultation with the Secretary of the Treasury
3 and the Director of the Consumer Financial Protec-
4 tion Bureau, shall establish eligibility require-
5 ments—

6 “(A) to ensure eligibility only for borrowers
7 in good standing;

8 “(B) to minimize inequities between Fed-
9 eral Direct Refinanced Private Loans and other
10 Federal student loans;

11 “(C) to preclude windfall profits for pri-
12 vate educational lenders; and

13 “(D) to ensure full access to the program
14 authorized in this subsection for borrowers with
15 private loans who otherwise meet the criteria
16 established in accordance with subparagraph
17 (A).

18 “(c) INTEREST RATE.—

19 “(1) IN GENERAL.—The interest rate for a
20 Federal Direct Refinanced Private Loan is a rate
21 equal to the interest rate determined under section
22 455(b)(9)(A) for the date on which the refinanced
23 private loan is made.

24 “(2) FIXED RATE.—The interest rate deter-
25 mined under this subsection for a Federal Direct

1 Refinanced Private Loan shall be fixed for the pe-
2 riod of the loan.

3 “(3) CAPITALIZED INTEREST AND FEES EX-
4 CLUDED.—With respect to a Federal Direct Refi-
5 nanced Private Loan under this section, interest
6 shall only accrue on the percentage of such Refi-
7 nanced Private Loan that is equal to—

8 “(A) the amount of the unpaid principal of
9 the original loan comprising the Refinanced
10 Private Loan on the date such original loan was
11 refinanced; divided by

12 “(B) the total amount of such Refinanced
13 Private Loan.

14 “(d) NO INCLUSION IN AGGREGATE LIMITS.—The
15 amount of a Federal Direct Refinanced Private Loan, or
16 a Federal Direct Consolidated Loan to the extent such
17 loan was used to repay a Federal Direct Refinanced Pri-
18 vate Loan, shall not be included in calculating a bor-
19 rower’s annual or aggregate loan limits under section 428
20 or 428H.

21 “(e) NO ELIGIBILITY FOR SERVICE-RELATED RE-
22 PAYMENT.—A Federal Direct Refinanced Private Loan, or
23 any Federal Direct Consolidation Loan to the extent such
24 loan was used to repay a Federal Direct Refinanced Pri-
25 vate Loan, shall not be eligible for any loan repayment

1 or loan forgiveness program under section 428K, 428L,
2 or 460 or for the loan cancellation repayment plan for
3 public service employees under section 455(m).

4 “(f) PRIVATE EDUCATIONAL LENDER REPORTING
5 REQUIREMENT.—

6 “(1) REPORTING REQUIRED.—The Secretary,
7 in consultation with the Secretary of the Treasury
8 and the Director of the Bureau of Consumer Finan-
9 cial Protection, shall establish a requirement that, in
10 order to allow for an assessment of the private edu-
11 cation loan market, private educational lenders re-
12 port the data described in paragraph (2) to—

13 “(A) the Secretary;

14 “(B) the Secretary of the Treasury;

15 “(C) the Director of the Consumer Finan-
16 cial Protection Bureau;

17 “(D) the Committee on Education and
18 Workforce of the House of Representatives;

19 “(E) the Committee on Financial Services
20 of the House of Representatives;

21 “(F) the Senate Committee on Health,
22 Education, Labor, and Pensions; and

23 “(G) the Senate Committee on Banking,
24 Housing, and Urban Affairs.

1 “(2) CONTENTS OF REPORTING.—The data
2 that private educational lenders shall report in ac-
3 cordance with paragraph (1) shall include each of
4 the following about private education loans (as de-
5 fined in section 140(a) of the Truth in Lending Act
6 (15 U.S.C. 1650(a))):

7 “(A) The total amount of private education
8 loan debt the lender holds.

9 “(B) The total number of private edu-
10 cation loan borrowers the lender serves.

11 “(C) The average interest rate on the out-
12 standing private education loan debt held by the
13 lender.

14 “(D) The proportion of private education
15 loan borrowers who are in default on a loan
16 held by the lender.

17 “(E) The proportion of the outstanding
18 private education loan volume held by the lend-
19 er that is in default.

20 “(F) The proportions of outstanding pri-
21 vate education loan borrowers who are 30, 60,
22 and 90 days delinquent.

23 “(G) The proportions of outstanding pri-
24 vate education loan volume that is 30, 60, and
25 90 days delinquent.

1 “(g) NOTIFICATION TO BORROWERS.—The Sec-
2 retary, in coordination with the Secretary of the Treasury
3 and the Director of the Consumer Financial Protection
4 Bureau, shall undertake a campaign to alert borrowers
5 about the availability of private student loan refinancing
6 under this section.”.

○