

119TH CONGRESS
2D SESSION

H. R. 8759

To amend the Higher Education Act of 1965 to direct the Secretary of Education to carry out a program under which an institution of higher education may elect to cosign Federal student loans made to students attending the institution, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 2026

Mr. PERRY introduced the following bill; which was referred to the Committee on Education and Workforce

A BILL

To amend the Higher Education Act of 1965 to direct the Secretary of Education to carry out a program under which an institution of higher education may elect to cosign Federal student loans made to students attending the institution, 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 “Student Loan Reform
5 Act”.

1 **SEC. 2. INSTITUTIONAL COSIGNER PROGRAM.**

2 Part D of title IV of the Higher Education Act of
3 1965 (20 U.S.C. 1087a et seq.) is amended by inserting
4 after section 454 the following:

5 **“SEC. 454A. INSTITUTIONAL COSIGNER PROGRAM.**

6 “(a) PROGRAM REQUIRED.—Beginning on July 1,
7 2026, the Secretary shall carry out a program under which
8 an institution of higher education may elect to cosign all
9 eligible direct loans made to students enrolled at the insti-
10 tution for an academic year.

11 “(b) AGREEMENT WITH SECRETARY.—To be eligible
12 to participate in the program under this section for an
13 academic year, an institution of higher education shall
14 enter into an agreement with the Secretary under which
15 the institution agrees to the following:

16 “(1) The institution will cosign all new eligible
17 direct loans made to students enrolled at the institu-
18 tion for such academic year.

19 “(2) With respect to each such loan, the institu-
20 tion will abide by the terms and conditions of co-
21 signer liability described in subsection (d).

22 “(c) MASTER PROMISSORY NOTE.—As part of the
23 program under this section, the Secretary shall—

24 “(1) revise the master promissory note applica-
25 ble to each eligible direct loan to include—

1 “(A) the terms and conditions of cosigner
2 and borrower liability described in subsection
3 (d);

4 “(B) the interest rate for the loan, as de-
5 termined under subsection (e); and

6 “(C) a field in which an authorized rep-
7 resentative of an institution participating in the
8 program may cosign the note on behalf of the
9 institution; and

10 “(2) ensure that each institution participating
11 in the program signs the note applicable to each new
12 eligible direct loan made to a student at the institu-
13 tion for the academic year concerned.

14 “(d) COSIGNER AND BORROWER LIABILITY.—

15 “(1) IN GENERAL.—Notwithstanding any other
16 provision of law, an institution of higher education
17 that is a cosigner of an eligible direct loan of a bor-
18 rower shall assume the obligation to repay, in ac-
19 cordance with paragraph (2), the outstanding bal-
20 ance of principal and interest due on the loan if—

21 “(A) the borrower defaulted on the loan;

22 “(B) a period of 90 days has elapsed since
23 the date on which the loan entered default; and

24 “(C) the loan has not been rehabilitated.

1 “(2) AMOUNT AND SCHEDULE OF REPAY-
2 MENT.—An institution that is obligated to repay an
3 eligible direct loan under paragraph (1) shall make
4 payments on the loan pursuant to a standard repay-
5 ment plan under section 455(d)(1)(A) with a repay-
6 ment period of 10 years.

7 “(3) TERMINATION OF OBLIGATION.—The obli-
8 gation of an institution to repay an eligible direct
9 loan under paragraph (1) shall terminate on the ear-
10 lier of—

11 “(A) the date on which the loan is rehabili-
12 tated; or

13 “(B) the date on which the total out-
14 standing balance of principal and interest due
15 on the loan has been repaid.

16 “(4) EFFECT ON DEFAULT STATUS OF BOR-
17 ROWER.—A borrower who has defaulted on an eligi-
18 ble direct loan on which an institution is making
19 payments under paragraph (1) shall be considered in
20 default on such loan for purposes of adverse credit
21 reporting and delinquent debt collection procedures
22 under Federal law.

23 “(5) RECOVERY FROM BORROWER.—Any
24 amounts recovered from the borrower of an eligible
25 direct loan during a period in which an institution

1 is making payments on the loan under paragraph
2 (1) shall be subtracted from the total outstanding
3 balance of principal and interest due on the loan.

4 “(6) RULE OF CONSTRUCTION.—Nothing in
5 this subsection shall be construed to limit the remedies available under this part against the borrower
6 of an eligible Federal student loan.

7 “(e) REDUCED INTEREST RATE.—Notwithstanding
8 any other provision of law, the interest rate applicable to
9 an eligible direct loan cosigned by an institution participating in the program under this section shall be a rate
10 determined by the Secretary that is—

11 “(1) lower than the standard rate applicable to
12 the loan under section 455(b); and

13 “(2) reduced below such standard rate by a percentage that is proportionate to the reduced risk
14 posed by the loan, as determined by the Secretary.

15 “(f) LIST OF PARTICIPATING INSTITUTIONS.—On an
16 annual basis, the Secretary shall publish, on a publicly accessible website of the Department of Education, a list
17 that identifies each institution participating in the program under this section for an academic year.

18 “(g) ELIGIBLE DIRECT LOAN DEFINED.—In this
19 section, the term ‘eligible direct loan’ means a loan made
20 under this part on or after July 1, 2026.”.

1 **SEC. 3. MODIFICATION OF COHORT DEFAULT RATE**
2 **THRESHOLD.**

3 (a) IN GENERAL.—Section 435(a) of the Higher
4 Education Act of 1965 (20 U.S.C. 1085(a)) is amended—

5 (1) in paragraph (2)—

6 (A) by striking subparagraphs (B) and (C)
7 and inserting the following:

8 “(B) For purposes of determinations under
9 subparagraph (A), the threshold percentage
10 is—

11 “(i) 40 percent, in the case of an in-
12 stitution that is participating in the insti-
13 tutional cosigner program under section
14 454A in the year in which the cohort de-
15 fault rate is determined; or

16 “(ii) 30 percent, in the case of an in-
17 stitution that is not participating in such
18 program in the year in which the cohort
19 default rate is determined.”; and

20 (B) by redesignating subparagraph (D) as
21 subparagraph (C);

22 (2) in paragraph (3), by striking “paragraph
23 (2)(B)(iv)” and inserting “paragraph (2)(B)”; and

24 (3) in paragraph (7), by striking “paragraph
25 (2)(B)(iv)” each place it appears and inserting
26 “paragraph (2)(B)”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 subsection (a) shall take effect on July 1, 2026.

