To allow certain student loan borrowers to refinance Federal student loans.

IN THE HOUSE OF REPRESENTATIVES

Mr. Peters introduced the following bill; which was referred to the Committee on

A BILL
To allow certain student loan borrowers to refinance Federal student loans.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Federal Student Loan Refinancing Act”.

SEC. 2. STUDENT LOAN CONSOLIDATION.

Section 459B of the Higher Education Act of 1965 (20 U.S.C. 1087i–2) is amended—
(1) in subsection (a)(3), by striking “section” and inserting “subsection”;  

(2) in subsection (b), by striking “this section” and inserting “subsection (a)” each place the term appears; and  

(3) by inserting at the end the following:  

“(c) Temporary Loan Consolidation Authority for Certain Loans Made After July 1, 2006.—  

“(1) Loan Consolidation Authority.—  

“(A) In General.—A borrower who has 1 or more loans in a category described in sub-paragraph (B) may consolidate all of the loans of the borrower that are described in subpara-  

graph (B) into a Federal Direct Consolidation Loan during the period described in subpara-  

graph (C).  

“(B) Categories of Loans That May Be Consolidated.—The categories of loans that may be consolidated under subparagraph (A) are loans made on or after July 1, 2006, that are—  

“(i) loans made under this part;  

“(ii) loans purchased by the Secretary pursuant to section 459A; and
“(iii) loans made under part B that are held by an eligible lender, as such term is defined in section 435(d).

“(C) Time period in which loans may be consolidated.—

“(i) Federal direct loans.—In the case of a borrower who has 1 or more loans described under subparagraph (B)(i), the Secretary shall—

“(I) consolidate the loans described under subparagraph (B)(i) not later than 90 days after the date of enactment of the Federal Student Loan Refinancing Act; and

“(II) notify the borrower, in writing, prior to such consolidation that—

“(aa) the borrower’s loans under this part have been consolidated at a lower interest rate; and

“(bb) the borrower’s repayment plan and the other terms and conditions of the borrower’s loan remain unchanged.
“(ii) OTHER LOANS.—In the case of a borrower who has 1 or more loans described under clause (ii) or (iii) of subparagraph (B), the Secretary shall—

“(I) initiate the loan consolidation process for the loans described under clause (ii) or (iii) of subparagraph (B), not later than 90 days after the date of enactment of the Federal Student Loan Refinancing Act, by sending a completed loan consolidation application to the borrower;

“(II) notify the borrower, as part of such application, that a fee will be assessed and that the interest rate of the Federal Direct Consolidation Loan will be set in accordance with paragraph (2); and

“(III) notify the borrower, as part of such application, that if the borrower wishes to consolidate in accordance with the completed application, the borrower must endorse the application and submit the application to the Secretary not more than 6
months after receipt of the applica-
tion.

“(2) TERMS OF LOANS.—The following terms
and conditions shall apply to a Federal Direct Con-
solidation Loan made under this subsection:

“(A) The applicable rate of interest on a
Federal Direct Consolidation Loan made under
this subsection shall be—

“(i) 4 percent; or

“(ii) in a case in which the weighted
average of the interest rates on the out-
standing loans of a borrower that will be
consolidated is less than 4 percent, the
lesser of—

“(I) the weighted average of the
interest rates on the outstanding
loans of a borrower that will be con-
solidated; or

“(II) a rate of interest equal to—

“(aa) 4 percent; minus

“(bb) 0.4 percent of the
principal balance of the consoli-
dation loan, at the time of con-
solidation.
“(B) In the case of a loan consolidated under paragraph (1)(C)(ii), an origination fee equal to 0.4 percent of the principal balance of the consolidation loan, at the time of consolidation, will be added to the principal balance of the loan, and the Secretary shall use the fee to cover the cost of making and servicing the loan.

“(C) If 1 or more of the loans being consolidated is a loan described under paragraph (1)(B)(iii), the interest rate on the Federal Direct Consolidation Loan under this subsection shall be reduced by 0.25 percent.

“(D) Any benefit a borrower is receiving or earning at the time a Federal Direct Consolidation Loan is issued under this subsection shall not be affected by consolidation under this section, including benefits such as a deferment or forbearance, accumulation of monthly payments as part of the public service loan forgiveness program under section 455(m), accumulation of monthly payments toward a loan discharge under the income-based repayment plan under section 493C, participation in a particular repayment plan, and other benefits to the borrower.”.
SEC. 3. EXEMPTIONS FROM OTHER LAWS.

(a) Exemption From the Paperwork Reduction Act.—Chapter 35 of title 44, United States Code, shall not apply to this Act.

(b) Inapplicability of Rulemaking Requirements.—Sections 482(c) and 492 of the Higher Education Act of 1965 (20 U.S.C. 1089(c), 1098a) and section 553 of title 5, United States Code, shall not apply to the amendments made by this Act, or to any regulations promulgated under such amendments.