

**AMENDMENT TO THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE TO H.R. 4508
OFFERED BY MR. ROKITA OF INDIANA**

At the end of title I of the amendment add the following:

1 **PART G—FEDERAL STUDENT LOAN**
2 **REFINANCING DEMONSTRATION PROGRAM**
3 **SEC. 161. FEDERAL STUDENT LOAN REFINANCING DEM-**
4 **ONSTRATION PROGRAM.**

5 (a) PROGRAM AUTHORITY.—Title I (20 U.S.C. 1001
6 et seq.), as amended by this title, is further amended by
7 adding at the end the following new part:

8 **“PART G—FEDERAL STUDENT LOAN**
9 **REFINANCING DEMONSTRATION PROGRAM**
10 **“SEC. 171. DEMONSTRATION PROGRAM FOR REFINANCING**
11 **CERTAIN FEDERAL STUDENT LOANS.**

12 “(a) IN GENERAL.—Not later than 180 days after
13 the date of enactment of the PROSPER Act, the Sec-
14 retary shall carry out a demonstration program, in accord-
15 ance with this part, to enable eligible lenders to make
16 loans at lower market-based variable interest rates to all
17 eligible borrowers for the purpose of refinancing high-bal-
18 ance student loan debt consisting of eligible loans.

1 “(b) DISCRIMINATION BY CREDITORS PROHIB-
2 ITED.—No agency, organization, institution, bank, credit
3 union, corporation, or other lender who regularly extends,
4 renews, or continues credit or provides insurance under
5 this part shall exclude from receipt or deny the benefits
6 of, or discriminate against any borrower or applicant in
7 obtaining, such credit or insurance on the basis of race,
8 national origin, religion, sex, marital status, age, or handi-
9 capped status.

10 “(c) DESIGNATION.—

11 “(1) IN GENERAL.—The program established
12 under this part shall be referred to as the ‘Student
13 Loan Lower Interest Rate and Lower Monthly Pay-
14 ment Refinancing Demonstration Program’.

15 “(2) REFINANCING LOANS.—Loans made under
16 this part shall be known as ‘Refinancing Loans’.

17 **“SEC. 172. REFINANCING CERTAIN FEDERAL STUDENT**
18 **LOANS.**

19 “(a) IN GENERAL.—Beginning not later than 180
20 days after the date of enactment of the PROSPER Act,
21 the Secretary shall establish a process under which eligible
22 lenders may receive loan insurance from the Secretary for
23 the purpose of extending, upon the receipt of an applica-
24 tion from an eligible borrower, a loan to refinance one or

1 more eligible loans in accordance with the provisions of
2 this section.

3 “(b) DEFINITIONS.—In this part:

4 “(1) DEFINITION OF ELIGIBLE BORROWER.—

5 The term ‘eligible borrower’ means a borrower
6 who—

7 “(A) has one or more eligible loans with an
8 aggregate balance to be refinanced of at least
9 \$60,000;

10 “(B) is not subject to a judgment secured
11 through litigation with respect to a loan under
12 this title or to an order for wage garnishment
13 under section 488A; and

14 “(C) at the time of application for a Refi-
15 nancing Loan—

16 “(i) is in repayment status as deter-
17 mined under section 428(b)(7)(A); or

18 “(ii) is in a grace period preceding re-
19 payment; and

20 “(2) ELIGIBLE LENDERS.—The term ‘eligible
21 lender’ means—

22 “(A) State agencies described in subpara-
23 graphs (D) and (F) of section 435(d)(1);

24 “(B) other eligible lenders described in
25 subparagraphs (A) and (J) of such section,

1 which made or held loans prior to July 1, 2010;
2 and

3 “(C) any other entity that prior to July 1,
4 2010, made or held a loan as a beneficiary of
5 an eligible lender trustee agreement under part
6 B of title IV.

7 “(3) ELIGIBLE LOANS.—The term ‘eligible
8 loans’ means any loan made, insured or guaranteed
9 under—

10 “(A) part B of title IV;

11 “(B) part D of title IV; or

12 “(C) part E of title IV (as in effect on the
13 day before the date of enactment of the PROS-
14 PER Act and pursuant to section 461(a) of
15 such Act).

16 “(c) TERMINATION.—An individual’s status as an eli-
17 gible borrower under this section shall terminate on the
18 date on which such borrower receives a Refinancing Loan,
19 except that—

20 “(1) an individual who receives eligible loans
21 after the date of receipt of the Refinancing Loan
22 may receive a subsequent Refinancing Loan;

23 “(2) eligible loans received prior to the date on
24 which a Refinancing Loan is made may be added

1 during the 180-day period following the making of
2 the Refinancing Loan;

3 “(3) eligible loans received following the date on
4 which a Refinancing Loan may be added during the
5 180-day period following the making of the Refi-
6 nancing Loan; and

7 “(4) eligible loans received prior to the date on
8 which a borrower receives their first Refinancing
9 Loan may be added to a subsequent Refinancing
10 Loan.

11 “(d) REFINANCING ELIGIBLE LOANS.—Upon appli-
12 cation of an eligible borrower, an eligible lender shall repay
13 directly to the existing holder of each of the eligible bor-
14 rower’s eligible loans the proceeds of a Refinancing Loan
15 in an amount equal to the sum of the unpaid principal,
16 accrued unpaid interest, and late charges of the original
17 eligible loans in order to discharge the eligible borrower
18 from any remaining obligation to the existing holder with
19 respect to the original eligible loans.

20 “(e) INTEREST RATES.—

21 “(1) IN GENERAL.—Notwithstanding the cur-
22 rent interest rates of the eligible loans being refi-
23 nanced, the interest rate for the Refinancing Loan,
24 shall be a variable rate equal to no more than—

1 “(A) for the calendar quarter beginning on
2 July 1, 2017, and each subsequent calendar
3 quarter, the daily average of 1-month London
4 Inter Bank Offered Rate (LIBOR) for United
5 States dollars in effect for each of the days in
6 the prior calendar quarter as compiled and re-
7 leased by the British Bankers Association, plus

8 “(B) 3.5 percent per annum.

9 “(2) ADJUSTABLE RATE.—The applicable rate
10 of interest determined under paragraph (1) for a
11 Refinancing Loan under this part shall adjust on the
12 first day of each calendar quarter for the period of
13 the loan.

14 “(f) INSURANCE.—

15 “(1) DEFAULT INSURANCE.—The Secretary
16 shall provide default insurance on Refinancing
17 Loans and, upon presentment with a defaulted Refi-
18 nancing Loan, shall pay an amount determined in
19 accordance with this section to the lender of such
20 Refinancing Loan in exchange for all rights, title
21 and interest to the Refinancing Loan.

22 “(2) DEFAULT.—A Refinancing Loan is in de-
23 fault and eligible for an insurance payment if—

24 “(A) a payment has not been made on the
25 Refinancing Loan for 270 consecutive days; and

1 “(B) such nonpayment is not due to a
2 deferment or forbearance under section 435.

3 “(3) PHASE-OUT OF DEFAULT INSURANCE COV-
4 ERAGE.—To the extent an eligible lender provides
5 the Secretary with a defaulted eligible loan, the Sec-
6 retary shall insure, and pay to the eligible lender, an
7 amount equal to—

8 “(A) for a default occurring in the five-
9 year period beginning on the date of the dis-
10 bursement of the Refinancing Loan, 97 percent
11 of the unpaid principal and accrued interest
12 and fees;

13 “(B) for a default occurring in the period
14 of 6 to 10 years after date of the disbursement
15 of the Refinancing Loan, 87 percent of the un-
16 paid principal and accrued interest and fees;
17 and

18 “(C) for any default occurring after the ex-
19 piration of the period described in subpara-
20 graph (B), 77 percent of the unpaid principal
21 and accrued interest.

22 “(g) INSURANCE FEES PAID TO THE SECRETARY.—
23 In lieu of any other fees or charges by the Secretary asso-
24 ciated with loans under this part, eligible lenders shall pay
25 to the Secretary—

1 “(1) a Default Insurance Fee equal to 0.50 per-
2 cent of the disbursed loan amount; and

3 “(2) a Monthly Insurance Fee payable each
4 month, calculated on annual basis, equal to 1.05
5 percent of the average principal plus accrued unpaid
6 interest for the prior month of the Refinancing
7 Loans disbursed under this part.

8 “(h) NO SPECIAL ALLOWANCE.—No special allow-
9 ance under section 438 shall be paid with respect to the
10 portion of any Refinancing Loan.

11 “(i) TERMS AND CONDITIONS OF REFINANCING
12 LOANS.—

13 “(1) IN GENERAL.—A Refinancing Loan made
14 under this part shall have the same terms and condi-
15 tions a loan authorized under section 455, except as
16 otherwise provided in this section.

17 “(2) NO AUTOMATIC EXTENSION OF REPAY-
18 MENT PERIOD.—Refinancing a loan under this part
19 may, at the request of the eligible borrower, result
20 in the extension of the duration of the repayment
21 period of the loan. In addition, a borrower may, at
22 the time at which a Refinancing Loan is made to the
23 borrower, enroll in any repayment plan for which the
24 eligible borrower is eligible in accordance with sec-
25 tion 455(d)(3).

1 “(3) BORROWER BENEFITS.—Eligible lenders
2 may offer any borrower benefits, including interest
3 rate and principal reductions as desirable in connec-
4 tion with Refinancing Loans. In addition to such
5 benefits, and any other benefits required of Consoli-
6 dation loans authorized under section 455—

7 “(A) an eligible lender may also offer, with
8 respect to Refinancing Loans—

9 “(i) an income contingent repayment
10 plan (to same extent such plan is offered
11 for loans made under part D of title IV);

12 “(ii) an income-based repayment plan
13 (to same extent such plan is offered for
14 loans made under part D of title IV);

15 “(iii) a Pay As You Earn (PAYE) Re-
16 payment Plan (to same extent such plan is
17 offered for loans made under part D of
18 title IV); and

19 “(iv) the public service loan forgive-
20 ness program under section 455(m) (to
21 same extent such program is offered for
22 loans made under part D of title IV); and

23 “(B) an eligible lender shall offer, with re-
24 spect to Refinancing Loans—

1 “(i) the benefit for active duty service
2 members benefit offered under section
3 455(o) (to same extent such benefit is of-
4 fered for loans made under part D of title
5 IV);

6 “(ii) deferment as provided for in sec-
7 tion 435 (to same extent such deferment is
8 offered for loans made under part D of
9 title IV);

10 “(iii) forbearance as provided for in
11 section 435 (to same extent such forbear-
12 ance is offered for loans made under part
13 D of title IV); and

14 “(iv) discharge for disability or death
15 of the borrower (to same extent such dis-
16 charge is offered for loans made under
17 part D of title IV).

18 “(j) LOAN DISCHARGE.—In the case of loans dis-
19 charged under income contingent repayment, income-
20 based repayment, or public service loan forgiveness, or for
21 disability or death of the borrower, the Secretary shall,
22 upon such discharge, pay to the eligible lender an amount
23 equal to the unpaid principal and accrued interest on the
24 loan.

1 “(k) DEMONSTRATION PERIOD.—For the purposes of
2 this section, the term ‘demonstration period’ means the
3 period—

4 “(1) beginning on the date that the Secretary
5 publishes certification in the Federal Register that
6 \$100 million in Refinancing Loans have been in-
7 sured; and

8 “(2) ending 36 months after the Secretary pub-
9 lishes the certification in subparagraph (1).

10 “(l) EVALUATION.—The Secretary shall conduct an
11 annual evaluation of the demonstration program to—

12 “(1) measure the monthly payments and inter-
13 est rates paid by borrowers under the demonstration
14 program compared to the payments the borrower
15 would have paid if the borrower did not refinance
16 their loans;

17 “(2) determine what operational changes are re-
18 quired to implement the program on a larger scale;
19 and

20 “(3) identify any changes to Federal law to im-
21 plement the program on a permanent basis.

22 “(m) REPORTS.—The Secretary shall prepare and
23 disseminate a report to the authorizing committees and
24 to the public of each evaluation conducted under this part.

1 “(n) RULEMAKING.—The requirements of sections
2 483 and 492(d) shall not apply to the implementation of
3 the demonstration program authorized under this part.

4 “(o) SUNSET.—The authority to make new loans
5 under this part shall terminate at the end of the dem-
6 onstration period described in subsection (k).

7 **“SEC. 173. AUTHORIZATION OF APPROPRIATIONS.**

8 “There are authorized to be appropriated, in accord-
9 ance with the provisions of this title and title IV, such
10 sums as may be necessary to insure a portion of each loan
11 under this part, as set forth in this part, and to otherwise
12 make payments consistent with the terms of this part.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) PART B.—Section 428C(a)(3)(B)(i) of the
15 Higher Education Act of 1965 (20 U.S.C. 1078–
16 3(a)(3)(B)(i)) is amended—

17 (A) in the matter preceding subclause

18 (I)—

19 (i) by inserting “, section 172,” after
20 “An individual’s status as an eligible bor-
21 rower under this section”;

22 (ii) by striking “both sections” and
23 inserting “each such section”; and

24 (iii) by inserting “, a Refinancing
25 Loan under part G of title I,” after “upon

1 receipt of a consolidation loan under this
2 section”;

3 (B) in subclause (III), by striking the
4 semicolon and inserting “; and”;

5 (C) in subclause (IV), by striking “; and”
6 and inserting a period; and

7 (D) by striking subclause (V).

8 (2) PART D.—Section 455 of the Higher Edu-
9 cation Act of 1965 (20 U.S.C. 1087e) is amended—

10 (A) in subsection (a), by adding at the end
11 the following:

12 “(4)(A) CONSOLIDATION OF REFINANCING
13 LOANS.—Notwithstanding any provisions of this
14 part, eligible borrowers may consolidate Refinancing
15 Loans authorized under part G of title I into a Di-
16 rect Consolidation Loan in the event that the inter-
17 est rate on each such Refinancing Loan exceeds
18 6.875 percent for the quarter.

19 “(B) ELIGIBILITY PERIOD.—Any application
20 for a Consolidation Loan that includes Refinancing
21 Loans under this paragraph must be received by the
22 Secretary by the end of a quarter during which the
23 Refinancing Loan interest exceeds 6.875 percent.”;
24 and

1 (B) by adding at the end the following new
2 subsection:

3 “(r) REPAYMENT TERMS FOR FEDERAL FAMILY
4 EDUCATION LOANS.—

5 “(1) APPLICABILITY OF PROGRAMS AVAILABLE
6 UNDER THIS SECTION.—The Secretary shall apply
7 subsections (d), (e), (f), (l), (m), and (o) to all loans
8 made under part B as if such loans were made
9 under this part.

10 “(2) PAYMENT OF BALANCE AND INTEREST.—
11 In carrying out paragraph (1), the Secretary shall
12 pay to the holder of a loan made under part B the
13 amount of principal, interest, or special allowance
14 payments necessary to apply subsections (d), (e), (f),
15 (l), (m), and (o) to such loan, as appropriate.”.

Page 291, line 13, strike “\$28,500” and insert
“\$50,000”.

Page 291, line 19, strike “\$12,500” and insert
“\$25,000”.

Page 293, line 25, strike “\$56,250” and insert
“\$100,000”.

