

## **Summary of the *Simplified Joint Consolidation Separation Act***

### **Republican Substitute to S. 1098**

**Background:** Under the now-defunct Federal Family Education Loan (FFEL) program, married borrowers were permitted to consolidate their loans together into one joint consolidation loan (JCL). The practice was stopped in 2006 but there are around \$2 billion in joint consolidation loans outstanding.

Republicans support the underlying principle of permitting borrowers to separate their loans, however, we do not want this opportunity to be used as another process through which the Biden administration brings more loans onto their books only to forgive them.

**Summary:** The *Simplified Joint Consolidation Separation Act* allows borrowers with federal JCLs to split those loans into two separate consolidation loans in certain circumstances. The borrower would request to split these loans from the Department of Education (ED) or holder of the borrowers' loan. Once separated, the remainder of the balance (unpaid loan and accrued unpaid interest) will be split proportionally based on the percentages that each borrower originally brought into the loan. The two new FFEL loans will have the same interest rates as the joint consolidation loan and will have the same terms and conditions as loans made under the now-expired FFEL program.

A JCL can be split when both borrowers submit a joint application to sever their joint consolidation loan. Additionally, one borrower could submit a separate application when:

- One of the borrowers is the victim of domestic or economic abuse; or
- A court orders the separation of the JCL, regardless of the reason.

The *Simplified Joint Consolidation Separation Act* allows borrowers loans to be separated as soon as the application is approved rather than 12-18 months under S. 1098.