

111<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5055

To provide funds for Pell Grants by amending title IV of the Higher Education Act of 1965.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 2010

Ms. FUDGE (for herself, Mr. TOWNS, Mr. JOHNSON of Georgia, and Mr. RUSH) introduced the following bill; which was referred to the Committee on Education and Labor

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## A BILL

To provide funds for Pell Grants by amending title IV of the Higher Education Act of 1965.

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; PURPOSE.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “College Debt Swap Act of 2010”.

6 (b) **PURPOSE.**—The purposes of this Act are to pro-  
7 vide additional funds for Pell Grants, and to establish a  
8 temporary private education loan debt consolidation pro-  
9 gram to assist eligible borrowers in refinancing all or a

1 portion of their private education debt as Federal Direct  
2 Consolidation Loans.

3 **TITLE I—CONSOLIDATION OF**  
4 **PRIVATE EDUCATION LOANS**

5 **SEC. 101. CONSOLIDATION OF PRIVATE EDUCATION LOANS.**

6 Section 455(g) of the Higher Education Act of 1965  
7 (20 U.S.C. 1087e(g)) is amended—

8 (1) by striking “A borrower”; and inserting the  
9 following:

10 “(1) IN GENERAL.—A borrower”;

11 (2) by inserting “, including any loan made  
12 under part B and first disbursed before July 1,  
13 2010, and any loan described in paragraph (2),”  
14 after “section 428C(a)(4)”;

15 (3) by striking the third sentence; and

16 (4) by adding at the end the following new  
17 paragraph:

18 “(2) CONSOLIDATION OF PRIVATE EDUCATION  
19 LOANS AS A FEDERAL DIRECT CONSOLIDATION  
20 LOAN.—

21 “(A) IN GENERAL.—Notwithstanding any  
22 other provision of law, a borrower who meets  
23 the eligibility criteria described in paragraph  
24 (1) and subparagraph (B) of this paragraph

1           may be eligible to obtain a Federal Direct Con-  
2           solidation loan under this paragraph that—

3                   “(i) shall include an eligible private  
4                   education loan; and

5                   “(ii) may include a loan described in  
6                   section 428C(a)(4).

7                   “(B) ELIGIBLE BORROWER.—A borrower  
8           of an eligible private education loan is eligible  
9           to obtain a Federal Direct Consolidation Loan  
10          under this paragraph if the borrower—

11                   “(i) is not in default on a loan made,  
12                   insured, or guaranteed under this title or  
13                   in default (as such term is defined in sec-  
14                   tion 435(l)) on any eligible private edu-  
15                   cation loan that the borrower is seeking to  
16                   consolidate under this paragraph, except  
17                   that a borrower who entered such default  
18                   at any time during the period beginning on  
19                   December 1, 2007, through December 31,  
20                   2009, due to an economic hardship (as  
21                   such term is defined in section 435(o)), as  
22                   determined by the Secretary, shall not be  
23                   ineligible under this clause;

24                   “(ii) was—

1           “(I) at any time on or after July  
2           1, 1994, and before July 1, 2010, en-  
3           rolled as an undergraduate, graduate,  
4           or professional student who was eligi-  
5           ble to borrow a loan under section  
6           428H or a Federal Direct Unsub-  
7           sidized Stafford Loan; or

8           “(II) at any time on or after July  
9           1, 2006, and July 1, 2010, enrolled as  
10          a graduate or professional student  
11          who was eligible to borrow a loan  
12          under section 428B or a Federal Di-  
13          rect PLUS loan;

14          “(iii) borrowed at least one eligible  
15          private education loan for a period of en-  
16          rollment described in clause (ii);

17          “(iv) is in—

18                 “(I) repayment status on the eli-  
19                 gible private education loan that the  
20                 borrower is seeking to consolidate  
21                 under this paragraph; or

22                 “(II) a grace period preceding re-  
23                 payment on such loan;

24                 “(v) does not have an adverse credit  
25                 history, as such term is defined by the Sec-

1           retary, by regulation, with respect to Fed-  
2           eral Direct PLUS loans; and

3           “(vi) has not previously obtained a  
4           Federal Direct Consolidation Loan under  
5           this paragraph.

6           “(C) DEFINITION OF ELIGIBLE PRIVATE  
7           EDUCATION LOAN.—For purposes of this para-  
8           graph, the term ‘eligible private education loan’  
9           means a private education loan (as such term  
10          is defined in section 140 of the Truth in Lend-  
11          ing Act (15 U.S.C. 1650)) that was disbursed  
12          to a borrower on or after July 1, 1994, and be-  
13          fore July 1, 2010.

14          “(D) AMOUNT THAT MAY BE CONSOLI-  
15          DATED.—The aggregate maximum amount of  
16          eligible private education loans that may be  
17          consolidated by a borrower under this para-  
18          graph is—

19                 “(i) for loans made to a borrower for  
20                 a period of enrollment described in sub-  
21                 paragraph (B)(ii)(I), an amount equal to  
22                 the amount of outstanding principal, ac-  
23                 crued interest, and related fees and costs  
24                 (as determined by the Secretary) owed by  
25                 the borrower on eligible private education

1 loans, except that the outstanding principal  
2 on the eligible private education loans shall  
3 not exceed—

4 “(I) the maximum aggregate  
5 amount of loans under section 428H,  
6 as of the date of the enactment of the  
7 College Debt Swap Act of 2010—

8 “(aa) for an undergraduate  
9 dependent student, if the bor-  
10 rower was enrolled as an under-  
11 graduate dependent student dur-  
12 ing the period of enrollment;

13 “(bb) for an undergraduate  
14 independent student, if the bor-  
15 rower was enrolled as an under-  
16 graduate independent student  
17 during the period of enrollment;  
18 or

19 “(cc) for a graduate or pro-  
20 fessional student, if the borrower  
21 was enrolled as a graduate or  
22 professional student during the  
23 period of enrollment;

24 minus

1                   “(II) the aggregate amount of  
2                   loans under section 428H and Federal  
3                   Direct Unsubsidized Stafford Loans  
4                   borrowed by the borrower for such pe-  
5                   riod of enrollment; plus

6                   “(ii) for loans made to a borrower for  
7                   a period of enrollment described in sub-  
8                   paragraph (B)(ii)(II), an amount equal  
9                   to—

10                   “(I) the total outstanding prin-  
11                   cipal, accrued interest, and related  
12                   fees and costs (as determined by the  
13                   Secretary) owed by the borrower on  
14                   eligible private education loans; minus

15                   “(II) the aggregate amount of  
16                   loans under section 428B and Federal  
17                   Direct PLUS loans borrowed by the  
18                   borrower for such period of enroll-  
19                   ment.

20                   “(E) INTEREST RATE.—Notwithstanding  
21                   subsection (b), a Federal Direct Consolidation  
22                   loan made under this paragraph shall bear in-  
23                   terest at an annual rate on the unpaid principal  
24                   balance of the loan that is the weighted aver-

1 age, rounded to the nearest higher one-eighth of  
2 1 percent, of—

3 “(i) for loans consolidated under this  
4 paragraph that were made to a borrower  
5 for a period described in subparagraph  
6 (B)(ii)(I), the interest rate for a Federal  
7 Direct Unsubsidized Stafford Loan for  
8 which the first disbursement is made on  
9 the date of enactment of the College Debt  
10 Swap Act of 2010; and

11 “(ii) for loans consolidated under this  
12 paragraph that were made to a borrower  
13 for a period described in subparagraph  
14 (B)(ii)(II), the interest rate for a Federal  
15 Direct PLUS loan for which the first dis-  
16 bursement is made on the date of enact-  
17 ment of the College Debt Swap Act of  
18 2010.

19 “(F) PAYMENT TO THE HOLDER.—

20 “(i) SECRETARY.—For each eligible  
21 private education loan that a borrower is  
22 consolidating under this paragraph, the  
23 Secretary shall make a payment to the  
24 holder of such loan that is equal to the  
25 amount of such loan, in whole or in part,

1 based on the amount (all or a portion) of  
2 such loan the borrower consolidated under  
3 this paragraph.

4 “(ii) HOLDER.—Upon receipt of a  
5 payment described in clause (i), a holder  
6 shall discharge the liability on the loan (in  
7 whole or in part, based on the amount of  
8 the payment) for which such payment was  
9 made.

10 “(G) OUTREACH ACTIVITIES REQUIRED.—

11 “(i) IN GENERAL.—The Secretary  
12 shall conduct outreach activities described  
13 in clause (ii) to inform and educate stu-  
14 dents and their families about the tem-  
15 porary private education loan consolidation  
16 program under this paragraph.

17 “(ii) REQUIRED COMPONENTS OF  
18 OUTREACH.—The Secretary shall provide  
19 for the broad dissemination of information  
20 on the program under this paragraph by—

21 “(I) operating and maintaining  
22 an Internet website through which in-  
23 dividuals may obtain information on  
24 changes made to the program;

1           “(II) developing and dissemi-  
2           nating information to alumni of un-  
3           dergraduate, graduate, and profes-  
4           sional schools who may be eligible for  
5           the program;

6           “(III) providing assistance to in-  
7           stitutions of higher education to edu-  
8           cate graduates on the availability of  
9           the program; and

10           “(IV) ensuring that all outreach  
11           efforts are developed using plain lan-  
12           guage and are culturally- and lan-  
13           guage-appropriate.

14           “(iii) USE OF OTHER ENTITIES.—In  
15           carrying out this subparagraph, the Sec-  
16           retary may work with other appropriate  
17           entities to facilitate the dissemination of  
18           information under this subparagraph and  
19           provide assistance as described in this sub-  
20           paragraph.

21           “(H) AUTHORIZATION AND APPROPRIA-  
22           TION.—There are authorized to be appro-  
23           priated, and there are appropriated, such sums  
24           as may be necessary to carry out this para-  
25           graph. The amounts made available under this

1           subparagraph shall remain available until June  
2           30, 2012.

3           “(I) PERIOD OF AUTHORITY.—The author-  
4           ity to make Federal Direct Consolidation loans  
5           under this paragraph shall begin 30 days after  
6           the date of the enactment of the College Debt  
7           Swap Act of 2010 and shall expire on June 30,  
8           2012.”.

9   **SEC. 102. CONFORMING AMENDMENT.**

10          Section 428C(a)(3)(B)(i)(V) of the Higher Education  
11   Act of 1965 (20 U.S.C. 1078–3(a)(3)(B)(i)(V)) is amend-  
12   ed—

13           (1) by striking “or” at the end of item (bb);

14           (2) by striking the period at the end of item  
15   (cc) and inserting “; or”; and

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

17                   “(dd) for the purpose of  
18                   consolidating an eligible private  
19                   education loan under section  
20                   455(g)(2), whether such loan is  
21                   consolidated only with other eligi-  
22                   ble private education loans or  
23                   consolidated with loans described  
24                   in paragraph (4).”.

1                   **TITLE II—INVESTING IN**  
2                                   **STUDENTS**

3   **SEC. 201. FEDERAL PELL GRANTS.**

4           Section 401(b)(8) of the Higher Education Act of  
5   1965 (20 U.S.C. 1070a(b)(8)) is amended by adding at  
6   the end the following:

7                   “(G) ADDITIONAL FUNDS FOR FISCAL  
8                   YEARS 2011 AND 2012.—In addition to any  
9                   amounts appropriated under subparagraph (A)  
10                  and any other amounts appropriated to carry  
11                  out this section, there are authorized to be ap-  
12                  propriated, and there are appropriated, out of  
13                  any funds in the Treasury not otherwise appro-  
14                  priated, to carry out subparagraph (B) of this  
15                  paragraph, \$4,000,000,000 for fiscal year 2011  
16                  and 2012.”.

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