

118TH CONGRESS
1ST SESSION

H. R. 4986

To amend the Higher Education Act of 1965 to eliminate interest on student loans, establish the Education Affordability Trust Fund, increase annual and aggregate loan limits, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2023

Mr. COURTNEY (for himself, Mr. SWALWELL, Mr. EVANS, Mr. TAKANO, Ms. PINGREE, Ms. WILSON of Florida, Mr. GRIJALVA, Mr. CARTER of Louisiana, Ms. ADAMS, Ms. TOKUDA, Mrs. TRAHAN, Mrs. HAYES, Mr. LEVIN, Mr. NORCROSS, Mr. LARSON of Connecticut, Mr. MORELLE, Ms. PORTER, and Ms. CROCKETT) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Higher Education Act of 1965 to eliminate interest on student loans, establish the Education Affordability Trust Fund, increase annual and aggregate loan limits, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Student Loan Interest Elimination Act”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—LOAN MODIFICATION AND REFINANCING FOR EXISTING
 FEDERAL STUDENT LOANS

Sec. 101. Program authority.

Sec. 102. Program for the loan modification of eligible Federal Direct loans,
 and refinancing of other Federal student loan.

TITLE II—TERMS AND CONDITIONS FOR NEW FEDERAL
 STUDENT LOANS

Sec. 201. Applicable rates of interest for loans made on or after July 1, 2024.

Sec. 202. Termination of interest subsidized loans.

Sec. 203. Annual and aggregate loan limits.

TITLE III—TRUST FUND

Sec. 301. Supplemental Federal Pell Grant Program.

Sec. 302. Use of funds from the repayment of Federal student loans.

Sec. 303. Education Affordability Trust Fund.

TITLE IV—GENERAL PROVISIONS

Sec. 401. Implementation.

3 **TITLE I—LOAN MODIFICATION**
 4 **AND REFINANCING FOR EX-**
 5 **ISTING FEDERAL STUDENT**
 6 **LOANS**

7 **SEC. 101. PROGRAM AUTHORITY.**

8 Section 451(a) of the Higher Education Act of 1965
 9 (20 U.S.C. 1087a(a)) is amended—

10 (1) by striking “There are hereby made avail-
 11 able” and inserting “After using funds available
 12 from the Education Affordability Trust Fund in ac-
 13 cordance with section 494A, there are hereby made
 14 available”;

1 (2) by striking “and (2)” and inserting “(2)”;

2 and

3 (3) by inserting “; and (3) to make loans under

4 section 460A(b)” after “section 459A”.

5 **SEC. 102. PROGRAM FOR THE LOAN MODIFICATION OF ELI-**
6 **GIBLE FEDERAL DIRECT LOANS, AND REFI-**
7 **NANCING OF OTHER FEDERAL STUDENT**
8 **LOANS.**

9 (a) LOAN MODIFICATION AND REFINANCING.—Part
10 D of title IV of the Higher Education Act of 1965 (20
11 U.S.C. 1087a et seq.) is amended by adding at the end
12 the following:

13 **“SEC. 460A. PROGRAM FOR THE LOAN MODIFICATION OF**
14 **ELIGIBLE FEDERAL DIRECT LOANS, AND RE-**
15 **FINANCING OF OTHER FEDERAL STUDENT**
16 **LOANS.**

17 “(a) FEDERAL DIRECT LOAN MODIFICATION.—The
18 Secretary shall establish and implement, with respect to
19 each borrower of an eligible Federal direct loan, proce-
20 dures to—

21 “(1) modify, without any action from the bor-
22 rower, the terms of such loan so that beginning on
23 July 1, 2024, no interest shall accrue on such loan;
24 and

1 “(2) allow the borrower, at any time, to opt out
2 of the loan modification under paragraph (1) for
3 such loan.

4 “(b) REFINANCING ELIGIBLE NON-FEDERAL DI-
5 RECT LOANS AS FEDERAL DIRECT CONSOLIDATION
6 LOANS.—

7 “(1) IN GENERAL.—The Secretary shall estab-
8 lish and implement, with respect to each borrower of
9 an eligible non-Federal direct loan, procedures to—

10 “(A) refinance such loan in accordance
11 with procedures listed in paragraph (2); and

12 “(B) allow the borrower, at any time, to
13 opt out of the loan refinancing under subpara-
14 graph (A) for such loan.

15 “(2) PROCEDURES.—In refinancing an eligible
16 non-Federal direct loan with respect to a borrower
17 of such loan, the Secretary shall carry out the fol-
18 lowing:

19 “(A) The Secretary shall make a Federal
20 Direct Consolidation Loan under this sub-
21 section, in an amount equal to the sum of the
22 unpaid principal, accrued unpaid interest, and
23 late charges of the eligible non-Federal direct
24 loan.

1 “(B) The Secretary shall pay the proceeds
2 of such Federal Direct Consolidation Loan to
3 the holder of the eligible non-Federal direct
4 loan, in order to discharge the borrower from
5 any remaining obligation with respect to such
6 eligible non-Federal direct loan.

7 “(3) TERMS AND CONDITIONS OF REFINANCED
8 LOANS.—

9 “(A) IN GENERAL.—A Federal Direct Con-
10 solidation Loan made under this subsection
11 shall have the same terms and conditions as a
12 Federal Direct Consolidation Loan that was not
13 made under this subsection, except—

14 “(i) that the Secretary may adjust
15 such terms and conditions as necessary to
16 enable the borrower to access loan forgive-
17 ness or other benefits available to the bor-
18 rower under the loan before refinancing
19 under this subsection, in any case where
20 such benefits are more generous than pro-
21 vided under a Federal Direct Consolidation
22 Loan; and

23 “(ii) as otherwise provided in this sub-
24 section.

1 “(B) NO ORIGINATION FEES.—Notwith-
2 standing section 455(c), the Secretary may not
3 charge a borrower of a loan made under this
4 subsection an origination fee for such loan.

5 “(C) INTEREST RATES.—No interest shall
6 accrue on a loan that is made under this sub-
7 section.

8 “(D) NO AUTOMATIC EXTENSION OF RE-
9 PAYMENT PERIOD.—A loan made under this
10 subsection shall not result in the extension of
11 the duration of the repayment period of the
12 original loan, and the borrower shall retain the
13 same repayment term that was in effect on the
14 original loan. Nothing in this paragraph shall
15 be construed to prevent a borrower from elect-
16 ing a different repayment plan at any time in
17 accordance with section 455(d)(3).

18 “(E) RULE OF CONSTRUCTION.—Nothing
19 in this section shall be construed to prevent a
20 borrower of a Federal student loan described in
21 subparagraph (B) or (C) of subsection (d)(2)
22 from consolidating such loans with other loans
23 eligible for consolidation under this section, or
24 to require such a borrower to consolidate such

1 loans with other Federal student loans into a
2 single consolidation loan under this section.

3 “(c) REPORT.—Not later than 1 year after the date
4 of the enactment of Student Loan Interest Elimination
5 Act, and on an annual basis thereafter, the Secretary shall
6 submit a report to the authorizing committees that in-
7 cludes—

8 “(1) the total number of borrowers whose loans
9 have been modified or refinanced under this section
10 during the preceding year; and

11 “(2) the number of such borrowers who are de-
12 linquent in making payments on such a loan.

13 “(d) DEFINITIONS.—In this section:

14 “(1) ELIGIBLE FEDERAL DIRECT LOAN.—The
15 term ‘eligible Federal direct loan’ means a—

16 “(A) a loan made under this part, and first
17 disbursed before July 1, 2024;

18 “(B) a loan made, insured, or guaranteed
19 under part B, and which is held by the Sec-
20 retary;

21 “(C) a loan made under part E, and which
22 is held by the Secretary; or

23 “(D) a loan made under subpart 1 of part
24 A of title VII of the Public Health Service Act

1 (42 U.S.C. 292 et seq.), and which is held by
2 the Secretary.

3 “(2) ELIGIBLE NON-FEDERAL DIRECT LOAN.—

4 The term ‘eligible non-Federal direct loan’ means a
5 loan—

6 “(A) made, insured, or guaranteed under
7 part B, and which is not held by the Secretary;

8 “(B) made under part E, and which is not
9 held by the Secretary; or

10 “(C) made under—

11 “(i) subpart I of part A of title VII of
12 the Public Health Service Act (42 U.S.C.
13 292 et seq.), and which is not held by the
14 Secretary;

15 “(ii) subpart II of part A of title VII
16 of the Public Health Service Act (42
17 U.S.C. 292q et seq.), and in the case of a
18 loan made under section 723 of such Act
19 (42 U.S.C. 292s), only if the borrower of
20 the loan has completed the full period of
21 service, practice, or training that was im-
22 posed as a condition on receipt of such
23 loan; or

24 “(iii) part E of title VIII of the Public
25 Health Service Act (42 U.S.C. 297a et

1 seq.), and in the case of a loan made under
2 section 846A of such Act (42 U.S.C.
3 297n—1), only if the borrower has com-
4 pleted the 4-years of full-time employment
5 as a faculty member at a school of nursing
6 as described in subsection (c)(3) of such
7 section 846A.

8 “(3) ORIGINAL LOAN.—The term ‘original
9 loan’, used with respect to a Federal Direct Consoli-
10 dation Loan made under subsection (b), means a
11 loan for which a borrower’s liability is discharged by
12 such Federal Direct Consolidation Loan.”.

13 (b) INCOME-CONTINGENT REPAYMENT.—Section
14 455(e) of the Higher Education Act of 1965 (20 U.S.C.
15 1087e(e)) is amended by adding at the end the following
16 new paragraph:

17 “(9) SPECIAL RULE FOR REFINANCED
18 LOANS.—For purposes of paragraph (7), the period
19 of time during which a borrower of a Federal Direct
20 Consolidation Loan made under section 460A(b) has
21 made monthly payments shall be calculated in the
22 manner described in section 493C(f).”.

23 (c) INCOME-BASED REPAYMENT.—Section 493C of
24 the Higher Education Act of 1965 (20 U.S.C. 1098e) is
25 amended by adding at the end the following:

1 “(f) SPECIAL RULE FOR REFINANCED LOANS.—

2 “(1) REFINANCED FEDERAL DIRECT CONSOLI-
3 DATION LOANS.—In calculating the period of time
4 during which a borrower of a Federal Direct Con-
5 solidation Loan that is made under section 460A(b)
6 has made monthly payments for the purposes of sub-
7 section (b)(7), the Secretary shall—

8 “(A) review the borrower’s payment his-
9 tory to identify each component loan of such
10 Federal Direct Consolidation Loan;

11 “(B) for each such component loan—

12 “(i) calculate the weighted factor of
13 the component loan, which shall be the fac-
14 tor that represents the portion of such
15 Federal Direct Consolidation Loan that is
16 attributable to such component loan; and

17 “(ii) determine the number of quali-
18 fying monthly payments made on such
19 component loan before consolidation;

20 “(C) calculate the number of qualifying
21 monthly payments determined under subpara-
22 graph (B)(ii) with respect to a component loan
23 that shall be deemed as qualifying monthly pay-
24 ments made on the Federal Direct Consolida-
25 tion Loan by multiplying—

1 “(i) the weighted factor of such com-
2 ponent loan as determined under subpara-
3 graph (B)(i); by

4 “(ii) the number of qualifying monthly
5 payments made on such component loan as
6 determined under subparagraph (B)(ii);
7 and

8 “(D) calculate and inform the borrower of
9 the total number of qualifying monthly pay-
10 ments with respect to the component loans of
11 the Federal Direct Consolidation Loan that
12 shall be deemed as qualifying monthly payments
13 made on the refinanced Federal Consolidation
14 Loan, by—

15 “(i) adding together the result of each
16 calculation made under subparagraph (C)
17 with respect to each such component loan;
18 and

19 “(ii) rounding the number determined
20 under clause (i) to the nearest whole num-
21 ber.

22 “(2) COMPONENT LOAN DEFINED.—In this
23 subsection, the term ‘component loan’, used with re-
24 spect to a Federal Direct Consolidation Loan, means
25 a loan for which the liability was discharged by the

1 proceeds of such Federal Direct Consolidation
2 Loan.”.

3 (d) CONFORMING AMENDMENTS.—The Higher Edu-
4 cation Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

5 (1) in section 428C(a)(3)(B)(i)(V) (20 U.S.C.
6 1078–3(3)(B)(i)(V))—

7 (A) by striking the period at the end of
8 item (cc) and inserting a semicolon;

9 (B) by striking the period at the end of
10 item (dd) and inserting “; or”; and

11 (C) by adding at the end the following:

12 “(ee) for the purpose of ob-
13 taining a Federal Direct Consoli-
14 dation Loan under section
15 460A(b).”.

16 **TITLE II—TERMS AND CONDI-**
17 **TIONS FOR NEW FEDERAL**
18 **STUDENT LOANS**

19 **SEC. 201. APPLICABLE RATES OF INTEREST FOR LOANS**
20 **MADE ON OR AFTER JULY 1, 2024.**

21 Section 455(b)(8) of the Higher Education Act of
22 1965 (20 U.S.C. 1087e(b)(8)) is amended—

23 (1) in the paragraph heading, by inserting
24 “AND BEFORE JULY 1, 2024” after “JULY 1, 2013”;

1 (2) in subparagraph (A), by inserting “and be-
2 fore July 1, 2024” after “July 1, 2013”;

3 (3) in subparagraph (B), by inserting “and be-
4 fore July 1, 2024” after “July 1, 2013”;

5 (4) in subparagraph (C), by inserting “and be-
6 fore July 1, 2024” after “July 1, 2013”;

7 (5) in subparagraph (D), by inserting “and be-
8 fore July 1, 2024” after “July 1, 2013”;

9 (6) by redesignating subparagraph (F) as sub-
10 paragraph (G); and

11 (7) by inserting after subparagraph (E) the fol-
12 lowing:

13 “(F) NEW LOANS ON OR AFTER JULY 1,
14 2024.—

15 “(i) IN GENERAL.—Notwithstanding
16 the preceding subparagraphs of this para-
17 graph, for Federal Direct Unsubsidized
18 Stafford Loans, Federal Direct PLUS
19 Loans, and Federal Direct Consolidation
20 Loans for which the first disbursement is
21 made, or the application is received, on or
22 after July 1, 2024, the applicable rate of
23 interest shall be as follows:

24 “(I) ZERO PERCENT.—For a
25 loan that is disbursed to a borrower

1 with a total adjusted available income
2 (as determined for the most recent
3 award year for which data is avail-
4 able) that is not more than 400 per-
5 cent of the applicable area median in-
6 come, 0 percent on the unpaid prin-
7 cipal balance of the loan.

8 “(II) ONE PERCENT.—For a loan
9 that is disbursed to a borrower with a
10 total adjusted available income (as de-
11 termined for the most recent award
12 year for which data is available) that
13 is more than 400 percent of the appli-
14 cable area median income, but not
15 more than 500 percent of such appli-
16 cable median income, 1 percent on the
17 unpaid principal balance of the loan.

18 “(III) TWO PERCENT.—For a
19 loan that is disbursed to a borrower
20 with a total adjusted available income
21 (as determined for the most recent
22 award year for which data is avail-
23 able) that is more than 500 percent of
24 the applicable area median income,
25 but not more than 600 percent of

1 such applicable median income, 2 per-
2 cent on the unpaid principal balance
3 of the loan.

4 “(IV) THREE PERCENT.—For a
5 loan that is disbursed to a borrower
6 with a total adjusted available income
7 (as determined for the most recent
8 award year for which data is avail-
9 able) that is more than 600 percent of
10 the applicable area median income,
11 but not more than 700 percent of
12 such applicable median income, 3 per-
13 cent on the unpaid principal balance
14 of the loan.

15 “(V) FOUR PERCENT.—For a
16 loan that is disbursed to a borrower
17 with a total adjusted available income
18 (as determined for the most recent
19 award year for which data is avail-
20 able) that is more than 700 percent of
21 the applicable area median income, 4
22 percent on the unpaid principal bal-
23 ance of the loan.

1 “(ii) APPLICABLE AREA MEDIAN IN-
2 COME.—The term ‘applicable area median
3 income’—

4 “(I) when used with respect to
5 an independent student, means the
6 area median income for the area in
7 which the student resides; and

8 “(II) when used with respect to a
9 dependent student, means—

10 “(aa) except as otherwise
11 specified in items (bb) through
12 (ee), the area median income for
13 the area in which the parents of
14 the student reside;

15 “(bb) in a case in which the
16 parents of the student are di-
17 vorced or living in different
18 areas, the area median income
19 for the area of the parent who
20 provides the greater portion of
21 the student’s financial support,
22 as determined based on criteria
23 described in section 475(f);

24 “(cc) in a case in which one
25 parent has died, the area median

1 income for the area of the sur-
2 viving parent;

3 “(dd) in a case in which
4 both parents have died, the area
5 median income for the area in
6 which the student resides; or

7 “(ee) in a case in which a
8 parent has remarried, the loca-
9 tion of that parent’s spouse (if
10 different from the location of the
11 remarried parent) has no impact
12 on the determination of area me-
13 dian income under this subclause.

14 “(iii) AREA MEDIAN INCOME.—The
15 term ‘area median income’ means the me-
16 dian family income for an area, as deter-
17 mined for purposes of the United States
18 Housing Act of 1937 (42 U.S.C. 1437 et
19 seq.).

20 “(iv) TOTAL ADJUSTED AVAILABLE
21 INCOME DEFINED.—The term ‘total ad-
22 justed available income’, for purposes of
23 award year 2024–2025, and each subse-
24 quent award year—

1 “(I) when used with respect to a
2 dependent student, means the amount
3 equal to, with respect to such student,
4 the sum of—

5 “(aa) the assessment of par-
6 ents’ adjusted available income
7 computed under section
8 475(b)(1);

9 “(bb) the student’s total in-
10 come (determined in accordance
11 with section 480); and

12 “(cc) the student’s assets
13 computed under section 475(h);

14 “(II) when used with respect to
15 an independent student without de-
16 pendents, means the amount equal to,
17 with respect to such student, the sum
18 of—

19 “(aa) the family’s available
20 income computed under section
21 476(b)(1)(A); and

22 “(bb) the family’s available
23 assets computed under section
24 476(c)(1); and

1 “(III) when used with respect to
2 an independent student with depend-
3 ents, means the amount equal to, with
4 respect to such student, the adjusted
5 available income computed under sec-
6 tion 477(a)(1)(A).”.

7 **SEC. 202. TERMINATION OF INTEREST SUBSIDIZED LOANS.**

8 (a) **PROGRAM AUTHORITY.**—Section 451(a) of the
9 Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is
10 amended by adding at the end the following: “No new
11 Federal Direct Stafford Loans, as referenced under sec-
12 tion 455(a)(2)(A), may be made under this part after
13 June 30, 2024, and no funds are authorized to be appro-
14 priated, or may be expended, under this Act or any other
15 Act to make such Federal Direct Stafford Loans for which
16 the first disbursement is after June 30, 2024.”.

17 (b) **TERMINATION OF AUTHORITY.**—Section 455(a)
18 of the Higher Education Act of 1965 (20 U.S.C.
19 1087e(a)) is amended by adding at the end the following:

20 “(4) **TERMINATION OF AUTHORITY TO MAKE**
21 **INTEREST SUBSIDIZED LOANS TO ANY STUDENT.**—
22 Notwithstanding any provision of this part or part
23 B, for any period of instruction beginning on or
24 after July 1, 2024—

1 “(A) a student shall not be eligible to re-
2 ceive a Federal Direct Stafford loan under this
3 part; and

4 “(B) the maximum annual amount of Fed-
5 eral Direct Unsubsidized Stafford loans such a
6 student may borrow in any academic year (as
7 defined in section 481(a)(2)) or its equivalent
8 shall be the maximum annual amount for such
9 student determined under section 428H, plus
10 an amount equal to the amount of Federal Di-
11 rect Stafford loans the student would have re-
12 ceived in the absence of this paragraph.”.

13 **SEC. 203. ANNUAL AND AGGREGATE LOAN LIMITS.**

14 Section 455(a) of the Higher Education Act of 1965
15 (20 U.S.C. 1087e(a)) is further amended by adding at the
16 end the following:

17 “(5) ANNUAL AND AGGREGATE LOAN LIMITS.—

18 “(A) IN GENERAL.—Subject to subpara-
19 graph (B), for academic year 2024–2025 and
20 each succeeding academic year, section 428H(d)
21 shall be applied—

22 “(i) in paragraph (2)(A)—

23 “(I) in clause (i), by substituting
24 ‘\$14,550’ for ‘\$12,000’; and

25 “(II) in clause (ii)—

1 “(aa) in subclause (I), by
2 substituting ‘\$8,250’ for
3 ‘\$7,000’; and

4 “(bb) in subclause (II), by
5 substituting ‘\$8,250’ for
6 ‘\$7,000’;

7 “(ii) in paragraph (3)—

8 “(I) in subparagraph (A), by
9 substituting ‘\$2,550, in the case of a
10 student described in clause (i) of sec-
11 tion 428(b)(1)(A), \$2,650, in the case
12 of a student described in clause (ii) of
13 such section, and \$2,750, in the case
14 of a student described in clause (iii) of
15 such section’ for ‘\$2,000’; and

16 “(II) in subparagraph (B), by
17 substituting ‘\$34,100’ for ‘\$31,000’;
18 and

19 “(iii) in paragraph (4)—

20 “(I) in subparagraph (A)—

21 “(aa) in clause (i)(I), by
22 substituting ‘\$6,950 for the first
23 year such year and \$7,050 for
24 the second such year’ for
25 ‘\$6,000’;

1 “(bb) in clause (ii)(I), by
2 substituting ‘\$8,250’ for
3 ‘\$7,000’; and

4 “(cc) in clause (iii)—

5 “(AA) in subclause (I),
6 by substituting “\$6,850’ for
7 ‘\$6,000’; and

8 “(BB) in subclause
9 (II), by substituting ‘\$7,962’
10 for ‘\$7,000’; and

11 “(II) in subparagraph (B), by
12 substituting ‘\$63,250’ for ‘\$57,500’.

13 “(B) ADJUSTMENT FOR INFLATION.—

14 “(i) IN GENERAL.—Each amount
15 specified in subparagraph (A) for academic
16 year 2025–2026 and each succeeding aca-
17 demic year shall be deemed increased by a
18 percentage equal to the annual adjustment
19 percentage.

20 “(ii) ANNUAL ADJUSTMENT PERCENT-
21 AGE DEFINED.—In this subparagraph, the
22 term ‘annual adjustment percentage’, as
23 applied to an academic year, means the es-
24 timated percentage change in the Con-
25 sumer Price Index (as determined by the

1 Secretary, using the definition in section
2 478(f) or the most recent calendar year
3 ending prior to the beginning of that aca-
4 demic year.”.

5 **TITLE III—TRUST FUND**

6 **SEC. 301. SUPPLEMENTAL FEDERAL PELL GRANT PRO-** 7 **GRAM.**

8 Section 401(b) of the Higher Education Act of 1965
9 (20 U.S.C. 1070a(b)), as amended by section 703 of the
10 FAFSA Simplification Act (title VII of division FF of
11 Public Law 116–260) and the FAFSA Simplification Act
12 Technical Corrections Act (Public Law 117–103), is fur-
13 ther amended by adding at the end the following:

14 “(10) SUPPLEMENTAL PELL GRANTS USING EX-
15 CESS TRUST FUND AMOUNTS.—For any award year
16 for which the Secretary elects to use the excess
17 amounts (or a portion of such excess amounts) de-
18 scribed in section 494A(c) to carry out a Supple-
19 mental Pell Grant Program under this paragraph,
20 the Secretary shall—

21 “(A) award each student that receives a
22 Federal Pell grant under this subpart for such
23 award year, an additional Federal Pell Grant in
24 an amount that—

1 “(i) bears the same relationship to
2 such excess amount (or such portion) as
3 the amount of the Federal Pell Grant such
4 student receives under this subpart (ex-
5 cluding this paragraph) for such award
6 year bears to the total amount awarded in
7 Federal Pell Grants under this subpart
8 (excluding this paragraph) for such award
9 year; and

10 “(ii) may—

11 “(I) exceed the total maximum
12 Federal Pell Grant available for such
13 award year; and

14 “(II) be lower than the minimum
15 Federal Pell Grant (as defined in sec-
16 tion (a)(2)(F)) for such award year;
17 and

18 “(B) ensure that—

19 “(i) in the case of a student awarded
20 an additional Federal Pell Grant under
21 subparagraph (A) for an award year, the
22 total amount of Federal Pell Grants
23 awarded to such student under this sub-
24 part (including such additional Federal
25 Pell Grant) for such award year may ex-

1 ceed the total maximum Federal Pell
2 Grant available for such award year; and

3 “(ii) any period of study covered by
4 an additional Federal Pell Grant awarded
5 under subparagraph (A) shall not be in-
6 cluded in determining a student’s duration
7 limit under subsection (d)(5).”.

8 **SEC. 302. USE OF FUNDS FROM THE REPAYMENT OF FED-**
9 **ERAL STUDENT LOANS.**

10 Part G of title IV of the Higher Education Act of
11 1965 (20 U.S.C. 1088 et seq.) is amended by adding at
12 the end the following:

13 **“SEC. 494A. USE OF FUNDS FROM THE REPAYMENT OF FED-**
14 **ERAL STUDENT LOANS.**

15 “(a) IN GENERAL.—The Secretary of Education
16 shall, without further appropriation, deposit all amounts
17 repaid on loans made, insured, or guaranteed under this
18 title into the Education Affordability Trust Fund estab-
19 lished under section 494B (referred to in this section as
20 the ‘Trust Fund’).

21 “(b) USE OF TRUST FUND ASSETS.—

22 “(1) IN GENERAL.—The Trust Fund Board
23 shall transfer the profits from the investments of the
24 Trust Fund to the Secretary of Education, to pay
25 for the administrative costs of the Department of

1 Education in making loans under part D, including
2 loans under section 460A(b), to all eligible students
3 (and the eligible parents of such students) in attend-
4 ance at participating institutions of higher education
5 selected by the Secretary, to enable such students to
6 pursue their courses of study at such institutions, in
7 the following amounts:

8 “(A) During any period of time when the
9 Trust Fund has assets under management of
10 \$500,000,000 or more over a 180 day period,
11 100 percent of such profits.

12 “(B) During any period of time when the
13 Trust Fund has profits of less than
14 \$500,000,000, but more than or equal to
15 \$400,000,000 over a 180 day period, 40 per-
16 cent of such profits.

17 “(C) During any period of time when the
18 Trust Fund has profits of less than
19 \$400,000,000 but more than or equal to
20 \$300,000,000 over a 180 day period, 10 per-
21 cent of such profits.

22 “(D) During any period of time when the
23 Trust Fund has profits of less than
24 \$300,000,000 over a 180 day period, 0 percent
25 of such profits.

1 “(2) PROFITS DEFINED.—In this subsection,
2 the term ‘profits’ means the amount that the return
3 on investment from bond investments made by the
4 Trust Fund exceeds the amount repaid on loans and
5 deposited into the Trust Fund under subsection (a).

6 “(c) USE OF EXCESS AMOUNTS.—If the amounts re-
7 quired to be transferred under subsection (b) are in excess
8 of the amounts needed to pay for the costs of the Depart-
9 ment of Education described under subsection (b), the
10 Secretary of Education may elect to use such excess
11 amounts (or a portion of such excess amounts)—

12 “(1) to carry out the Supplemental Federal Pell
13 Grant Program under section 401(b)(10); and

14 “(2) for the Postsecondary Student Success
15 Program authorized under part B of title VII and
16 for which the Department issued a notice inviting
17 applications in the Federal Register on August 12,
18 2022 (87 Fed. Reg. 49811 et. seq.), except that,
19 notwithstanding the terms and condition of such
20 program described in the notice—

21 “(A) any institution of higher education
22 defined in section 101 or 102(a)(1)(B) is eligi-
23 ble to receive a grant under the program if—

24 “(i) the average cost of tuition to at-
25 tend such institution for the 3 most recent

1 academic years has not increased by more
2 than 3 percent;

3 “(ii) the institution provides an assur-
4 ance that the average cost of tuition to at-
5 tend such institution for the succeeding 3
6 academic years will not increase by more
7 than 3 percent; or

8 “(iii) the size of the endowment fund
9 (as defined in section 312(c)) of the insti-
10 tution on the first day of the previous cal-
11 endar year was not greater than
12 \$100,000,000; and

13 “(B) grants under the program will be
14 awarded on a competitive basis, and the amount
15 of any such grant will be not less than
16 \$600,000, and not more than \$1,000,000.

17 “(d) REPORT AND TESTIMONY TO CONGRESS.—If
18 the Secretary of Education elects to use excess amounts
19 described under subsection (c) the Secretary shall provide
20 to Congress a report on the use of such amounts (and
21 provide testimony on such use) not later than 180 days
22 after making use of such funds.”.

1 **SEC. 303. EDUCATION AFFORDABILITY TRUST FUND.**

2 Part G of title IV of the Higher Education Act of
3 1965 (20 U.S.C. 1088 et seq.) is further amended by add-
4 ing at the end the following:

5 **“SEC. 494B. EDUCATION AFFORDABILITY TRUST FUND.**

6 “(a) ESTABLISHMENT.—There is established within
7 the Department a trust fund to be known as the ‘Edu-
8 cation Affordability Trust Fund’ (referred to in this sec-
9 tion as the ‘Trust Fund’).

10 “(b) BOARD.—

11 “(1) IN GENERAL.—The head of the Trust
12 Fund shall be a 6-member Education Affordability
13 Trust Fund Board (referred to in this section as the
14 ‘Board’).

15 “(2) APPOINTMENT OF MEMBERS.—The mem-
16 bers of the Board shall be appointed by the Presi-
17 dent, by and with the advice and consent of the Sen-
18 ate, from among individuals who—

19 “(A) have experience and expertise in the
20 management of financial investments;

21 “(B) have at least 10 years of experience
22 in the financial investment field;

23 “(C) at least 3 of which have experience
24 working with rural lenders, historically
25 disenfranchised groups, or low-income commu-
26 nities; and

1 “(D) are not currently an elected official.

2 “(3) DISQUALIFICATIONS FOR APPOINT-
3 MENTS.—

4 “(A) LOBBYING.—No individual required
5 to register as a lobbyist under section 4 of the
6 Lobbying Disclosure Act of 1995 (2 U.S.C.
7 1603) may be appointed to, or serve on, the
8 Board.

9 “(B) INCOMPATIBLE OFFICE.—No member
10 of the Board may hold or may have held the po-
11 sition of Member of the House of Representa-
12 tives or Senator, may hold the position of offi-
13 cer or employee of the House of Representa-
14 tives, Senate, or instrumentality or other entity
15 of the legislative branch, or may have held such
16 a position within 4 years of the date of appoint-
17 ment.

18 “(4) TERM.—

19 “(A) IN GENERAL.—The members of the
20 Board shall serve 6-year terms, staggered such
21 that the terms of 2 members ends every 2
22 years.

23 “(B) POLITICAL AFFILIATION.—The 2
24 members serving terms that end at the same

1 time may not be members of the same political
2 party.

3 “(C) MEMBERS TAKE OFFICE TO-
4 GETHER.—With respect to the 2 individuals ap-
5 pointed to fill terms ending at the same time,
6 neither individual may begin serving as a mem-
7 ber of the Board until both have been appointed
8 and confirmed by the Senate.

9 “(D) AUTHORITY TO SERVE UNTIL A SUC-
10 CESSOR IS APPOINTED.—Upon the expiration of
11 a term of a member of the Board, that member
12 shall continue to serve until a successor is ap-
13 pointed.

14 “(E) LIMITATION.—An individual may
15 only serve as a member of the Board for a max-
16 imum of 2 terms.

17 “(F) REMOVAL FOR CAUSE.—The Presi-
18 dent may remove a member of the Board only
19 for inefficiency, neglect of duty, or malfeasance
20 in office.

21 “(5) DEADLINE FOR INITIAL APPOINTMENTS.—
22 The initial members of the Board shall be appointed
23 no later than 90 days after the date of enactment
24 of this section.

1 “(6) CHAIR.—Each member of the Board shall
2 serve as the Chair of the Board during the final year
3 of the term for which the member is appointed.

4 “(7) CONFLICTS OF INTEREST.—Each member
5 of the Board shall, with respect to entities in which
6 the Trust Fund invests, either divest any interest in
7 such entities or place such interests into a blind
8 trust.

9 “(8) MEETINGS.—

10 “(A) IN GENERAL.—The Board shall meet
11 no less than once per quarter.

12 “(B) PARTICIPATION BY FUND MAN-
13 AGERS.—The fund manager appointed under
14 subsection (c) shall attend not less than 2 meet-
15 ings of the Board each year, to discuss fore-
16 casting and current investment performance.

17 “(C) EMERGENCY MEETING REQUIRE-
18 MENT.—If, once the assets under management
19 of the Trust Fund have reached
20 \$500,000,000,000, the assets under manage-
21 ment of the Trust Fund drops below
22 \$300,000,000,000, the Board shall immediately
23 hold an emergency meeting to discuss ensuring
24 the long-term solvency of the Trust Fund.

1 “(9) VOTING.—Investment guidelines shall be
2 adopted by a unanimous vote of the entire Board.
3 All other decisions of the Board shall be decided by
4 a majority vote. All decisions of the Board shall be
5 entered upon the records of the Board.

6 “(10) COMPENSATION.—While serving on the
7 business of the Board (including travel time), a
8 member of the Board shall be entitled to compensa-
9 tion at the per diem equivalent of the rate provided
10 for level IV of the Executive Schedule under section
11 5315 of title 5, United States Code, and while so
12 serving away from home and the member’s regular
13 place of business, a member may be allowed travel
14 expenses, as authorized by the Chair of the Board.

15 “(c) POWERS AND RESPONSIBILITIES OF THE
16 BOARD.—

17 “(1) APPOINTMENT OF FUND MANAGERS.—

18 “(A) IN GENERAL.—The Board shall ap-
19 point independent fund managers from among
20 individuals who have met such ethics vetting re-
21 quirements as the Board may establish.

22 “(B) FAILURE TO MAKE A UNANIMOUS AP-
23 POINTMENT.—If the Board fails to make an ap-
24 pointment under subparagraph (A), the Chair

1 shall, not later 10 days after the date of such
2 failure, make the appointment.

3 “(C) INITIAL FUND MANAGERS.—The
4 Board shall make the initial appointment of
5 independent fund managers under subpara-
6 graph (A) not later than 60 days after the date
7 on which all members of the Board are first ap-
8 pointed.

9 “(2) OTHER DUTIES.—The Board shall—

10 “(A) retain independent advisers to assist
11 it in the formulation and adoption of its invest-
12 ment guidelines;

13 “(B) pay the administrative expenses of
14 the Trust Fund from the assets in the Trust
15 Fund; and

16 “(C) discharge their duties (including the
17 voting of proxies) with respect to the assets of
18 the Trust Fund solely in the interest of the
19 Trust Fund and through it, the participants
20 and beneficiaries of the programs funded under
21 this Act—

22 “(i) for the exclusive purpose of—

23 “(I) providing zero-interest Fed-
24 eral student loans to existing and fu-
25 ture borrowers; and

1 “(II) defraying reasonable ex-
2 penses of administering the functions
3 of the Trust Fund;

4 “(ii) with the care, skill, prudence,
5 and diligence under the circumstances then
6 prevailing that a prudent person acting in
7 a like capacity and familiar with such mat-
8 ters would use in the conduct of an enter-
9 prise of a like character and with like
10 aims;

11 “(iii) by diversifying investments so as
12 to minimize the risk of large losses and to
13 avoid disproportionate influence over a
14 particular industry or firm, unless under
15 the circumstances it is clearly prudent not
16 to do so; and

17 “(iv) in accordance with Trust Fund
18 governing documents and instruments in-
19 sofar as such documents and instruments
20 are consistent with this Act.

21 “(3) PROHIBITIONS WITH RESPECT TO MEM-
22 BERS OF THE BOARD.—No member of the Board
23 shall—

1 “(A) deal with the assets of the Trust
2 Fund in the member’s own interest or for the
3 member’s own account;

4 “(B) in an individual or in any other ca-
5 pacity act in any transaction involving the as-
6 sets of the Trust Fund on behalf of a party (or
7 represent a party) whose interests are adverse
8 to the interests of the Trust Fund or the inter-
9 ests of borrowers; or

10 “(C) receive any consideration for the
11 member’s own personal account from any party
12 dealing with the assets of the Trust Fund.

13 “(4) AUDIT AND REPORT.—

14 “(A) AUDIT.—The Board shall annually
15 engage an independent qualified public account-
16 ant to audit the financial statements of the
17 Trust Fund.

18 “(B) REPORT TO CONGRESS.—

19 “(i) IN GENERAL.—The Board shall
20 submit an annual management report to
21 the Secretary of Education, the Secretary
22 of the Treasury, the President, and the
23 Congress not later than 180 days after the
24 end of each fiscal year, including—

1 “(I) a statement of financial po-
2 sition, including the total amount in
3 the Trust Fund;

4 “(II) a statement of operations;

5 “(III) a statement of cash flows;

6 “(IV) a breakdown of the invest-
7 ments made by the Trust Fund, in-
8 cluding by type;

9 “(V) a statement on internal ac-
10 counting and administrative control
11 systems;

12 “(VI) the report resulting from
13 an audit of the financial statements of
14 the Trust Fund conducted under sub-
15 paragraph (A); and

16 “(VII) any other comments and
17 information necessary to inform the
18 Congress about the operations and fi-
19 nancial condition of the Trust Fund.

20 “(ii) PUBLIC AVAILABILITY OF RE-
21 PORT.—The Board shall make each report
22 required under this subparagraph available
23 to the public, including on the website of
24 the Department of Education.

1 “(5) RULES AND ADMINISTRATIVE POWERS.—

2 The Board shall have the authority to make rules to
3 govern the operations of the Trust Fund, employ
4 professional staff, and contract with outside advisers
5 to provide legal, accounting, investment advisory, or
6 other services necessary for the proper administra-
7 tion of this section. In the case of contracts with in-
8 vestment advisory services, compensation for such
9 services may be on a fixed contract fee basis or on
10 such other terms and conditions as are customary
11 for such services.

12 “(6) FINANCIAL DISCLOSURE REPORTS.—Each
13 Member and employee of the Board shall file with
14 the Secretary of Education and appropriate commit-
15 tees of Congress financial disclosure reports that
16 comply with the requirements under subchapter I of
17 chapter 131 of title 5, United States Code.

18 “(7) FUNDING.—The expenses of the Trust
19 Fund and the Board incurred under this section
20 shall be paid from the Trust Fund.

21 “(d) DUTIES OF THE FUND MANAGERS.—

22 “(1) IN GENERAL.—The fund managers shall
23 invest the assets of the Trust Fund in a manner
24 consistent with the investment guidelines adopted by
25 the Board.

1 “(2) INSTRUMENTS.—The fund managers shall
2 invest the amounts in the Trust Fund in bonds that
3 consist of the following:

4 “(A) Municipal bonds.

5 “(B) Bonds issued by the Department of
6 the Treasury, which may not make up more
7 than 40 percent of the total investments of the
8 Trust Fund.

9 “(C) Other Federal bonds.

10 “(D) Bonds issued by the Federal Home
11 Loan Mortgage Corporation, the Federal Na-
12 tional Mortgage Association, or a Federal
13 Home Loan Bank.

14 “(E) International bonds, which may not
15 make up more than 10 percent of the total in-
16 vestments of the Trust Fund.

17 “(F) Corporate bonds, which may not
18 make up more than 10 percent of the total in-
19 vestments of the Trust Fund.

20 “(3) INVESTMENT REQUIREMENTS.—

21 “(A) RATINGS.—The investments of the
22 Trust Fund shall consist—

23 “(i) only of investments rated at least
24 Baa1 or BBB+ by Moody’s, S&P, or Fitch
25 Ratings;

1 “(ii) at least 80 percent of invest-
2 ments rated at least A3 or A- by Moody’s,
3 S&P, or Fitch Ratings;

4 “(iii) at least 60 percent of invest-
5 ments rated at least Aa1 or AA+ by
6 Moody’s, S&P, or Fitch Ratings; and

7 “(iv) at least 40 percent of invest-
8 ments rated at least Aaa or AAA by
9 Moody’s, S&P, or Fitch Ratings.

10 “(B) DIVERSIFICATION.—The investments
11 of the Trust Fund shall be diversified to mini-
12 mize the risk of large losses and to avoid dis-
13 proportionate influence over a particular region,
14 industry, or firm, unless under the cir-
15 cumstances it is clearly prudent not to do so.

16 “(C) LIMITATION ON INVESTING IN CER-
17 TAIN COUNTRIES.—The Trust Fund may not
18 invest in entities or subsidiaries of entities that
19 are—

20 “(i) based in any country that does
21 not have diplomatic relations with the
22 United States;

23 “(ii) based in any country, the govern-
24 ment of which is subject to sanctions by
25 the United States; or

1 “(iii) on a sanctions list of the De-
2 partment of the Treasury.

3 “(4) SHORT-TERM INITIAL INVESTMENTS.—
4 During the 10-year period beginning on the date of
5 enactment of this section, the fund managers shall
6 prioritize investments in bonds with a maturity date
7 of less than 10 years.

8 “(e) MEANS OF FINANCING.—For purposes of the
9 Congressional Budget Act of 1974 (2 U.S.C. 621 et seq.),
10 the Balanced Budget and Emergency Deficit Control Act
11 of 1985 (2 U.S.C. 900 et seq.), and chapter 11 of title
12 31, United States Code, and notwithstanding section 20
13 of Office of Management and Budget Circular No. A-11,
14 or any successor thereto, earnings of the Trust Fund shall
15 be calculated on an accrual basis.”.

16 **TITLE IV—GENERAL**
17 **PROVISIONS**

18 **SEC. 401. IMPLEMENTATION.**

19 In carrying out the amendments made by titles I, II,
20 and III, the Secretary of Education may waive the applica-
21 tion of—

22 (1) the master calendar requirements under
23 section 482 of the Higher Education Act of 1965
24 (20 U.S.C. 1089); and

1 (2) negotiated rulemaking under section 492 of
2 the Higher Education Act of 1965 (20 U.S.C.
3 1098a).

○