
LOAN ACT FACT SHEET

On September 15, 2022, Subcommittee Chair Frederica Wilson introduced the Lowering Obstacles to Achievement Now (LOAN) Act, H.R. 8872. The bill has been referred to the House Committee on Education and Labor. The bill would amend the Higher Education Act of 1965 to double the Pell Grant award amount, adjust the Public Service Loan Forgiveness program, and reduce interest rates.

Title I—Federal Pell Grants

- SEC. 101 Doubling Federal Pell Grants and Providing All Federal Pell Grants Through Mandatory Funding (pg. 3)
 - Increases the maximum Pell award to \$9,000 for the 2024-2025 award year
 - Shifts the Pell Grant to fully mandatory funding and doubles the maximum Pell Grant over a period of five years thereafter until reaching \$13,000 for the 2029-2030 award year. After that, it indexes the maximum award to inflation.
 - Allows students and families who receive a federal benefit program like SNAP or Medicaid to automatically qualify for the maximum aid, and to receive an extra award of up to \$1,500 in addition to the maximum Pell Grant (\$14,500 in total).
- SEC. 103 Federal Aid Eligibility for Dreamer Students (pg. 9)
 - Extends Title IV eligibility for Dreamer students.
- SEC. 104 Restoring the Total Semesters of Federal Pell Grant Eligibility
 - Changes the Pell Grants' total semester eligibility from the current 12 semesters to 18 semesters.
- SEC. 105 Reducing Financial Aid Penalties from Satisfactory Academic Progress Determinations (pg. 13)
 - Requires institutions to provide academic progress warnings to students before they lose financial aid eligibility.
- SEC. 106 Federal Pell Grants for Graduate Students (pg. 29)
 - Allows students pursuing a graduate or professional degree to use any remaining Pell eligibility from their undergraduate studies.

Title II Part A—Amendments to Terms and Conditions of Loans and Repayment Plans

- SEC. 201. Subsidized Loans for Graduate and Professional Students (pg. 31)
 - Allow graduate and professional students attending public and non-profit institutions access to federal subsidized loans.
 - These loans would have the same interest rate as unsubsidized loans.
- SEC. 203. Repeal Of Origination Fees. (pg. 32)
 - Removes origination fees from any loans that currently collect such fees, such as: Direct Subsidized or Unsubsidized Loans and Direct PLUS Loans.
- SEC. 204. Prepayment Amounts. (pg. 33)
 - Makes changes which require a borrower's prepayments to be applied first to loans with the highest interest rate, unless the borrower requests otherwise. Borrowers with multiple loans with the same interest rate would have prepayment applied to the first loan with the largest outstanding principal balance.

Part B—Automatic Enrollment in Income Driven Repayment for Certain Borrowers

- SEC. 211. Notification And Automatic Enrollment Procedures for Borrowers Who Are Delinquent on Loans. (pg. 35)
 - Allows the Secretary of Education to obtain the income and family size information of borrowers who are delinquent for a period of 31 days. The Department of Education must

inform the borrower about the delinquent loan status, monthly payment amounts applicable to the borrower's loans under income-driven repayment plans (IDR) and provide clear instructions on how to select a repayment plan.

- Requires the Secretary of Education to place borrowers who are delinquent for a period of 80 days, on a covered loan, and not already enrolled in an IDR plan into the most affordable IDR plan.
- SEC. 212. Notification And Automatic Enrollment Procedures for Borrowers Who Are Rehabilitating Defaulted Loans. (pg. 42)
 - Authorizes the Secretary of Education to obtain the income and family size information of borrowers who are rehabilitating a covered loan. The Department of Education must notify borrowers within 30 days of their sixth payment required for loan rehabilitation that unless they opt out upon making the ninth (and final) required payment, the borrower will automatically be placed into the most affordable IDR plan.

Part C—Amendments to Certain Loan Forgiveness Programs

- SEC. 221. Amendments To Terms and Conditions of Public Service Loan Forgiveness.
 - Changes the requirement that a borrower must make 120 on-time payments to qualify and reduces it to only 96 on-time payments.
 - Codifies the changes the Department of Education is making through negotiated rulemaking to the Public Service Loan Forgiveness program to allow certain forbearances and deferments to count as qualifying payments including: cancer treatment deferment; Peace Corps service deferment; rehabilitation training program deferment; economic hardship deferment; military service deferment; post-active-duty student deferment; AmeriCorps forbearance; National Guard Duty forbearance; U.S. Department of Defense Repayment Program forbearance; and administrative or mandatory forbearance.
 - Borrowers will no longer be required to be employed in a public service job at the time of forgiveness. Requires that the Department of Education provide forgiveness without any further action by the borrower.
 - Requires the Department of Education to maintain an online portal dedicated to PSLF information to help borrowers determine their eligibility for PSLF and how to submit forms associated with the program.
 - Requires the Department of Education, in conjunction with the Secretary of Labor, to establish and maintain a database listing qualifying public service jobs.
- SEC. 222. Loan Forgiveness for Teachers
 - Allows teachers to be eligible to receive a reduction of loan obligation for the same service under PSLF and loan forgiveness for teachers.

Title III—Interest Capitalization

- SEC. 301. Elimination of Interest Capitalization (pg. 58)
 - Eliminates all capitalization and disclosure requirements relating to capitalization from the Higher Education Act.

Title IV—Interest Rates

- SEC. 401. Interest Rate Provisions for New Federal Student Loans on or After July 1, 2023
 - Ties interest rates for all new Federal student loans on or after July 1, 2023, to the 10-year Treasury note rate.
 - Eliminates add-on percentages currently in statute and lowers percentage points and caps in the formula for all loans to no more than 5 percent.
- SEC. 402. Refinancing FFEL And Federal Direct Loans.
 - Allows current borrowers to take advantage of the lower interest rates through refinancing existing debt at the same rates as new borrowers. This offer is also extended to borrowers with private student loans.