LOAN ACT
Title-by-Title

TITLE I

Doubles Federal Pell Grants

- Helps restore the purchasing power of the Pell Grant and builds on the $500 increase to the maximum award in the *2022 Consolidated Appropriations Act* by increasing the maximum award to $10,000 for the 2024-2025 award year, doubling the maximum Pell Grant over a period of five years thereafter (to $14,000), and indexing the maximum award to inflation. The bill also shifts the Pell Grant to fully mandatory funding.

- Allows students and families who receive a federal benefit program, such as SNAP or Medicaid, to automatically qualify for the maximum aid and receive an extra award of up to $1,500 in addition to the maximum Pell Grant ($15,500 in total).

- Extends Title IV eligibility to DREAMer students.

- Extends eligibility from the current 12 semesters back to 18 semesters, as it existed before 2011 eligibility cuts related to a Pell Grant funding shortfall.

- Requires institutions to provide academic progress warnings to students before they lose financial aid eligibility and resets Pell Grant eligibility two years after a student is enrolled at an institution of higher education.

- Allows students completing a graduate or professional degree to use any remaining Pell eligibility from their undergraduate studies.

TITLE II

Makes Loans Less Expensive

- Provides graduate and professional students who attend public and non-profit institutions with access to subsidized loans at the same interest rate available to these students for unsubsidized loans.

- Repeals origination fees on all loans subject to collection of such fees – Direct Subsidized and Unsubsidized Loans and Direct PLUS Loans.

- Requires a borrower’s prepayments to be applied first to a borrower’s loan with the highest interest rate unless such borrower requests otherwise for any borrower who has multiple loans with different interest rates. For a borrower who makes a prepayment on multiple loans with the same interest rate, the prepayment is applied first to the loan with the largest outstanding principal balance.

- Authorizes the Secretary of Education (Secretary) to obtain the income and family size information of a borrower who is 31 days delinquent and provide information to borrowers, including the identification of the delinquent loans, monthly payment amounts applicable to the borrower's loans under income-driven repayment plans (IDR), and clear instructions on how to select a repayment plan.

- Requires the Secretary to place borrowers who are 80 days delinquent on a covered loan—and not already enrolled in an IDR plan—into the most affordable IDR plan.

- Authorizes the Secretary to obtain income and family size information of a borrower who is rehabilitating a covered loan and notify a borrower within 30 days of a borrower's sixth payment required for loan rehabilitation that, unless they opt out upon making the ninth (and final) required payment, the borrower will be placed into the most affordable IDR plan.

Improves the Public Service Loan Forgiveness (PSLF) Program

- Strikes the requirement that a borrower must make 120 on-time payments to qualify for PSLF and reduces this requirement to 96 on-time payments.

- Codifies changes the Department of Education (Department) is making to the PSLF program through negotiated rulemaking 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.

- Repeals the requirement that a borrower be employed in a public service job at the time of forgiveness and requires the Department to provide forgiveness without further action by the borrower.

- Requires the Department to maintain an online portal that provides borrowers with a variety of information to help them determine their eligibility for PSLF and submit any forms associated with the program.

- Requires the Department (in consultation with the Secretary of Labor) to establish and regularly update a database listing qualifying public service jobs.

- Requires that payments made prior to a borrower's receipt of a Federal Direct Consolidation Loan—during which time such borrower is employed in a qualifying public service job made on, or after, the date of enactment of this Act—shall be considered as qualifying payments for forgiveness. Payments shall be made attributable to the portion of the Direct Consolidation Loan that the Consolidation Loan discharged.

- Repeals the prohibition on receiving a reduction of loan obligation for the same service under PSLF and loan forgiveness for teachers.

TITLE III

Eliminates Loan Capitalization

- Eliminates capitalization and disclosure requirements relating to capitalization from the *Higher Education Act*.

TITLE IV

Lowers Interest Rates

- Ties the interest rates for all new Federal student loans on—or after July 1, 2024—to the ten-year Treasury note, eliminates the added-on percentage currently in statute, and lowers the percentage points and caps in the formula for all loans to five percent, reminiscent of the interest rate for the Perkins loan. This will ensure that interest rates for these loans will never be more than five percent.

- Allows all borrowers to take advantage of these lower interest rates by giving them a chance to refinance their old debt at the same rates offered to new borrowers and provide this benefit for borrowers with private student loans.