

113TH CONGRESS
2D SESSION

S. 2812

To amend the Higher Education Act of 1965 to establish a simplified income-driven repayment plan, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 16, 2014

Mr. KING (for himself and Mr. BURR) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Higher Education Act of 1965 to establish a simplified income-driven repayment plan, 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.**

4 This Act may be cited as the “Repay Act of 2014”.

5 **SEC. 2. SIMPLIFIED INCOME-DRIVEN REPAYMENT PLAN.**

6 Part G of title IV of the Higher Education Act of
7 1965 (20 U.S.C. 1088 et seq.) is amended by adding at
8 the end the following:

1 **“SEC. 493E. SIMPLIFIED INCOME-DRIVEN REPAYMENT**
2 **PLAN.**

3 “(a) DEFINITIONS.—In this section:

4 “(1) COVERED FEDERAL DIRECT LOAN.—The
5 term ‘covered Federal Direct Loan’ means a Federal
6 Direct Stafford Loan, a Federal Direct Unsubsidized
7 Stafford Loan, a Federal Direct Consolidation Loan
8 (other than a Federal Direct Consolidation Loan
9 whose proceeds were used to discharge the liability
10 of a Federal Direct PLUS loan made on behalf of
11 a dependent student or a loan under section 428B
12 made on behalf of a dependent student), or a Fed-
13 eral Direct PLUS Loan (other than a Federal Di-
14 rect PLUS Loan made on behalf of a dependent stu-
15 dent) made under part D.

16 “(2) DISCRETIONARY INCOME.—The term ‘dis-
17 cretionary income’ means the amount by which a
18 borrower’s (and the borrower’s spouse, if applicable)
19 annual adjusted gross income exceeds 150 percent of
20 the poverty line applicable to the borrower’s family
21 size.

22 “(3) DISCRETIONARY INCOME BEND POINT.—
23 The term ‘discretionary income bend point’ means
24 \$25,000, adjusted annually for inflation as deter-
25 mined by the Consumer Price Index (as such term

1 is defined in section 478(f) for the previous cal-
2 endar year.

3 “(4) INCOME-DRIVEN CALCULATION.—

4 “(A) IN GENERAL.—The term ‘income-
5 driven calculation’, when used with respect to a
6 borrower, means the annual amount due on the
7 total amount of covered Federal Direct Loans,
8 which annual amount is equivalent to—

9 “(i) 10 percent of the borrower’s dis-
10 cretionary income that is less than the dis-
11 cretionary income bend point, plus

12 “(ii) 15 percent of the borrower’s dis-
13 cretionary income that is equal to or great-
14 er than the discretionary income bend
15 point

16 “(B) ANNUAL CALCULATION.—The cal-
17 culation under subparagraph (A) shall be deter-
18 mined on an annual basis for the duration of
19 the repayment period described in subsection
20 (b).

21 “(5) NEW BORROWER.—The term ‘new bor-
22 rower’ means a borrower who—

23 “(A) as of July 1, 2015, has no out-
24 standing balance on a student loan made, in-
25 sured, or guaranteed under part B or D; or

1 “(B) has no outstanding balance on a stu-
2 dent loan made, insured, or guaranteed under
3 part B or D on the date the borrower receives
4 a loan made under part D on or after July 1,
5 2015.

6 “(b) SIMPLIFIED INCOME-DRIVEN REPAYMENT
7 PLAN AUTHORIZED.—

8 “(1) IN GENERAL.—The Secretary shall carry
9 out a simplified income-driven repayment program
10 for new borrowers that meets the following require-
11 ments:

12 “(A) A new borrower of any covered Fed-
13 eral Direct Loan may elect to have the bor-
14 rower’s aggregate monthly payment for all such
15 loans equal to the income-driven calculation, di-
16 vided by 12.

17 “(B) The holder of such a loan shall apply
18 the borrower’s monthly payment under this sub-
19 section first toward interest due on the loan,
20 next toward any fees due on the loan, and then
21 toward the principal of the loan.

22 “(C) Any interest due and not paid under
23 subparagraph (B)—

24 “(i) shall, on Federal Direct Stafford
25 Loans, be paid by the Secretary for a pe-

1 riod of not more than 3 years after the
2 date of the borrower’s election under sub-
3 paragraph (A), except that such period
4 shall not include any period during which
5 the borrower is in deferment due to an eco-
6 nomic hardship described in section
7 435(o); and

8 “(ii) be capitalized—

9 “(I) in the case of a Federal Di-
10 rect Stafford Loan, subject to clause
11 (i), at the time the borrower’s month-
12 ly payment calculation under subpara-
13 graph (A) exceeds the monthly pay-
14 ment calculation under the fixed re-
15 payment plan, based on a 10-year re-
16 payment period, when the borrower
17 first made the election under subpara-
18 graph (A); and

19 “(II) in the case of a Federal Di-
20 rect Unsubsidized Stafford Loan, at
21 the time the borrower’s monthly pay-
22 ment calculation under subparagraph
23 (A) exceeds the monthly payment cal-
24 culation under the fixed repayment
25 plan, based on a 10-year repayment

1 period, when the borrower first made
2 the election under subparagraph (A).

3 “(D) Any principal due and not paid under
4 subparagraph (B) shall be deferred.

5 “(E) The amount of time a new borrower
6 shall make monthly payments under subpara-
7 graph (A) may exceed 10 years.

8 “(F) If the borrower no longer wishes to
9 continue the election under this subsection,
10 then—

11 “(i) the maximum monthly payment
12 required to be paid for all covered Federal
13 Direct Loans shall be equal to the monthly
14 amount calculated under section
15 428(b)(9)(A)(i) or 455(d)(1)(A), based on
16 a 10-year repayment period, when the bor-
17 rower first made the election described in
18 this subsection; and

19 “(ii) the amount of time the borrower
20 is permitted to repay such loans may ex-
21 ceed 10 years.

22 “(G) The Secretary shall cancel the out-
23 standing balance of principal and interest due
24 for a new borrower whose balance of principal
25 of covered Federal Direct Loans did not exceed

1 \$57,500 on the date the borrower’s repayment
2 period began, or whose balance of principal of
3 covered Federal Direct Loans did not exceed
4 the maximum aggregate amount of loans an
5 independent undergraduate student could bor-
6 row, pursuant to section 428H(d)(4)(B), on the
7 date the borrower’s final covered Federal Direct
8 Loan was disbursed, whichever amount is great-
9 er, if the borrower—

10 “(i) at any time, elected to participate
11 under subparagraph (A); and

12 “(ii) for 20 years—

13 “(I) made monthly payments
14 pursuant to subparagraph (A); or

15 “(II) was in deferment due to an
16 economic hardship described in sec-
17 tion 435(o).

18 “(H) The Secretary shall cancel the out-
19 standing balance of principal and interest due
20 for a new borrower whose balance of principal
21 of covered Federal Direct Loans exceeded
22 \$57,500 on the date the borrower’s repayment
23 period began, or whose balance of principal of
24 covered Federal Direct Loans exceeded the
25 maximum aggregate amount of loans an inde-

1 pendent undergraduate student could borrow,
2 pursuant to section 428H(d)(4)(B), on the date
3 the borrower’s final covered Federal Direct
4 Loan was disbursed, whichever amount is great-
5 er, if the borrower—

6 “(i) at any time, elected to participate
7 under subparagraph (A); and

8 “(ii) for 25 years—

9 “(I) made monthly payments
10 pursuant to subparagraph (A); or

11 “(II) was in deferment due to an
12 economic hardship described in sec-
13 tion 435(o).

14 “(I) A borrower may elect to discontinue
15 repayment pursuant to this subsection, at any
16 time, and enter into repayment pursuant to sec-
17 tion 455(d)(2)(A).

18 “(2) MONTHLY PAYMENTS.—Only monthly pay-
19 ments made pursuant to paragraph (1)(A) shall be
20 considered eligible payments toward the forgiveness
21 of outstanding loan principal and interest under sub-
22 paragraphs (G) and (H) of paragraph (1).

23 “(c) ELIGIBILITY DETERMINATIONS.—The Secretary
24 shall annually determine a borrower’s eligibility for the

1 simplified income-driven repayment plan under this sec-
2 tion through—

3 “(1) verification of a borrower’s annual ad-
4 justed gross income;

5 “(2) the annual amount due on the total
6 amount of covered Federal Direct Loans; and

7 “(3) such other procedures as are necessary to
8 effectively implement the simplified income-driven
9 repayment plan under this section.

10 “(d) SPECIAL RULE FOR MARRIED BORROWERS FIL-
11 ING SEPARATELY.—In the case of a married borrower who
12 files a separate Federal income tax return, the Secretary
13 shall calculate the borrower’s income-driven calculation on
14 the basis of the borrower’s total amount due on covered
15 Federal Direct Loans and the married couple’s combined
16 adjusted gross income. In the case of a married couple
17 in which both individuals repay their loans under this sec-
18 tion, the Secretary shall calculate each borrower’s income-
19 driven calculation on the basis of each borrower’s total
20 amount due on covered Federal Direct Loans and the
21 married couple’s combined adjusted gross income divided
22 by 2.

23 “(e) ANNUAL INCOME VERIFICATION.—

24 “(1) IN GENERAL.—A borrower who elects to
25 participate in the simplified income-driven repay-

1 ment plan under this section shall submit to the Sec-
 2 retary, on an annual basis, verification of the bor-
 3 rower’s annual adjusted gross income.

4 “(2) CONSEQUENCE OF FAILURE TO SUBMIT.—

5 With respect to a borrower who fails to submit to
 6 the Secretary verification of the borrower’s annual
 7 adjusted gross income as required under paragraph
 8 (1), any monthly payments made during the period
 9 the borrower is in violation of the requirement of
 10 paragraph (1) shall not be considered eligible pay-
 11 ments toward the forgiveness of outstanding loan
 12 principal and interest under subparagraphs (G) and
 13 (H) of subsection (b)(1).”.

14 **SEC. 3. STREAMLINING REPAYMENT PLANS FOR NEW BOR-**
 15 **ROWERS.**

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

18 (1) by striking subsection (d) and inserting the
 19 following:

20 “(d) REPAYMENT PLANS.—

21 “(1) DESIGN AND SELECTION FOR BORROWERS
 22 BEFORE JULY 1, 2015.—With respect to a borrower
 23 of a loan made under this part before July 1, 2015,
 24 and consistent with criteria established by the Sec-
 25 retary, the Secretary shall offer such borrower a va-

1 riety of plans for repayment of such loan, including
2 principal and interest on the loan. The borrower
3 shall be entitled to accelerate, without penalty, re-
4 payment on the borrower's loans under this part.

5 The borrower may choose—

6 “(A) a fixed repayment plan, consistent
7 with subsection (a)(1) of this section and with
8 section 428(b)(9)(A)(i);

9 “(B) a graduated repayment plan, con-
10 sistent with section 428(b)(9)(A)(ii);

11 “(C) an extended repayment plan, con-
12 sistent with section 428(b)(9)(A)(iv), except
13 that the borrower shall annually repay a min-
14 imum amount determined by the Secretary in
15 accordance with section 428(b)(1)(L);

16 “(D) an income contingent repayment
17 plan, with varying annual repayment amounts
18 based on the income of the borrower, paid over
19 an extended period of time prescribed by the
20 Secretary, not to exceed 25 years, except that
21 the plan described in this subparagraph shall
22 not be available to the borrower of a Federal
23 Direct PLUS loan made on behalf of a depend-
24 ent student; and

1 “(E) an income-based repayment plan that
2 enables borrowers who have a partial financial
3 hardship to make a lower monthly payment in
4 accordance with section 493C, except that the
5 plan described in this subparagraph shall not be
6 available to the borrower of a Federal Direct
7 PLUS Loan made on behalf of a dependent
8 student or a Federal Direct Consolidation
9 Loan, if the proceeds of such loan were used to
10 discharge the liability on such Federal Direct
11 PLUS Loan or a loan under section 428B
12 made on behalf of a dependent student.

13 “(2) DESIGN AND SELECTION FOR NEW BOR-
14 ROWERS ON OR AFTER JULY 1, 2015.—The Secretary
15 shall offer a borrower of a loan made under this part
16 on or after July 1, 2015, the following plans for re-
17 payment of such loan, including principal and inter-
18 est on the loan. The borrower shall be entitled to ac-
19 celerate, without penalty, repayment on the bor-
20 rower’s loans under this part. The borrower may
21 choose—

22 “(A) a fixed repayment plan, consistent
23 with subsection (a)(1) of this section and with
24 section 428(b)(9)(A)(i); or

1 “(B) a simplified income-driven repayment
2 plan, consistent with section 493E, except the
3 plan described in this subparagraph shall not be
4 available to a borrower of a Federal Direct
5 PLUS Loan made on behalf of a dependent
6 student, a Federal Direct Consolidation Loan,
7 if the proceeds of such loan were used to dis-
8 charge the liability on such Federal Direct
9 PLUS Loan or a loan under section 428B
10 made on behalf of a dependent student.

11 “(3) BORROWER NON-SELECTION.—If a bor-
12 rower of a loan made under this part does not select
13 a repayment plan described in paragraph (1) or (2),
14 the Secretary may provide the borrower with a re-
15 payment plan described in subparagraph (A), (B), or
16 (C) of paragraph (1) for borrowers before July 1,
17 2015, or a repayment plan described in paragraph
18 (2)(A) for new borrowers on or after July 1, 2015.

19 “(4) CHANGES IN SELECTIONS.—The borrower
20 of a loan made under this part may change the bor-
21 rower’s selection of a repayment plan under para-
22 graph (1) or (2), or the Secretary’s selection of a
23 plan for the borrower under paragraph (3), as the
24 case may be, under such terms and conditions as
25 may be established by the Secretary.

1 “(5) ALTERNATIVE REPAYMENT PLANS.—The
2 Secretary may provide, on a case by case basis, an
3 alternative repayment plan to a borrower of a loan
4 made under this part on or after July 1, 2015, who
5 demonstrates to the satisfaction of the Secretary
6 that the terms and conditions of the repayment
7 plans available under paragraph (2) are not ade-
8 quate to accommodate the borrower’s exceptional
9 circumstances. Upon request, the Secretary shall
10 make available for such borrowers repayment plans
11 described in subparagraphs (B) and (C) of para-
12 graph (1). In designing such alternative repayment
13 plans, the Secretary shall ensure that such plans do
14 not exceed the cost to the Federal Government, as
15 determined on the basis of the present value of fu-
16 ture payments by such borrowers, of loans made
17 using the plans available under paragraph (2).

18 “(6) REPAYMENT AFTER DEFAULT.—The Sec-
19 retary may require any borrower who has defaulted
20 on a loan made under this part to—

21 “(A) pay all reasonable collection costs as-
22 sociated with such loan; and

23 “(B) repay the loan pursuant to a repay-
24 ment plan described in paragraph (2)(A), or,
25 following sufficient consultation and income

1 verification, the Secretary may provide the bor-
2 rower the option to enroll in the repayment
3 plan described in paragraph (2)(B).

4 “(7) APPLICABILITY PROVISION.—

5 “(A) IN GENERAL.—Except as provided in
6 paragraph (5) and subparagraph (B), the re-
7 payment plans under subparagraphs (B), (C),
8 (D), and (E) of paragraph (1) are not available
9 for a borrower who received the borrower’s first
10 disbursement of a Federal Direct Loan on or
11 after July 1, 2015.

12 “(B) EXCEPTION.—The repayment plans
13 available to a borrower of a Federal Direct
14 PLUS Loan made on behalf of a dependent
15 student or a Federal Direct Consolidation Loan
16 whose proceeds were used to discharge the li-
17 ability of a Federal Direct PLUS Loan made
18 on behalf of a dependent student or a loan
19 under section 428B made on behalf of a de-
20 pendent student on or after July 1, 2015, shall
21 be those described under subparagraphs (A),
22 (B), and (C) of paragraph (1).”; and
23 (2) in subsection (m)—

24 (A) in paragraph (1)—

1 (i) in the paragraph heading, by strik-
2 ing “IN GENERAL” and inserting “BOR-
3 ROWERS BEFORE JULY 1, 2015”; and

4 (ii) in the matter preceding subpara-
5 graph (A), by striking “The Secretary”
6 and inserting “Except as provided in para-
7 graph (5), the Secretary”;

8 (B) in paragraph (2), by inserting “or (5)”
9 after “paragraph (1)”; and

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

11 “(5) SIMPLIFIED INCOME-DRIVEN REPAYMENT
12 FOR NEW BORROWERS ON OR AFTER JULY 1, 2015.—

13 “(A) IN GENERAL.—With respect to an eli-
14 gible Federal Direct Loan not in default made
15 under this part on or after July 1, 2015, the
16 Secretary shall cancel the balance of interest
17 and principal due, after the conclusion of the
18 employment period described in paragraph
19 clause (iv), as of the time of such cancellation,
20 on any such loan for a borrower who—

21 “(i) as of July 1, 2015, had no out-
22 standing balance on a student loan made,
23 insured, or guaranteed under this part or
24 part B or had no outstanding balance on
25 a student loan made, insured, or guaran-

1 teed under this part or part B on the date
2 the borrower received the loan made under
3 this part on or after July 1, 2015;

4 “(ii) has made 120 monthly payments
5 on the eligible Federal Direct Loan under
6 a simplified income-driven repayment plan
7 under subsection (d)(2)(B);

8 “(iii) is employed in a public service
9 job at the time of such forgiveness; and

10 “(iv) has been employed in a public
11 service job during the period in which the
12 borrower makes each of the 120 payments
13 described in clause (ii).

14 “(B) ANNUAL INCOME VERIFICATION.—

15 With respect to a borrower who fails to submit
16 to the Secretary verification of the borrower’s
17 annual adjusted gross income as required under
18 section 493E(e), any monthly payments made
19 during the period the borrower is in violation of
20 such requirement shall not be considered eligi-
21 ble payments under subparagraph (A)(ii) to-
22 ward the cancellation pursuant to this para-
23 graph of the balance of interest and principal
24 due on the borrower’s loan.”.

1 **SEC. 4. FIXED REPAYMENT PLAN.**

2 The Higher Education Act of 1965 (20 U.S.C. 1001
3 et seq.) is amended—

4 (1) in section 153(a)(1)(B)(iii)(V), by striking
5 “standard repayment plan” and inserting “fixed re-
6 payment plan”;

7 (2) in section 428(b)(9)(A)(i), by striking
8 “standard repayment plan” and inserting “fixed re-
9 payment plan”;

10 (3) in section 433(b)(7)(B), by striking “stand-
11 ard repayment plan” and inserting “fixed repayment
12 plan”;

13 (4) in section 455—

14 (A) in subsection (e)(7)(B)(iv), by striking
15 “standard repayment plan” and inserting
16 “fixed repayment plan”; and

17 (B) in subsection (m)(1)(A)(ii), by striking
18 “standard repayment plan” and inserting
19 “fixed repayment plan”; and

20 (5) in section 493C—

21 (A) in subsection (a)(3)(A), by striking
22 “standard repayment plan” and inserting
23 “fixed repayment plan”; and

24 (B) in subsection (b)—

1 (i) in paragraph (7)(B)(iii), by strik-
2 ing “standard repayment plan” and insert-
3 ing “fixed repayment plan”; and

4 (ii) in paragraph (8), by striking
5 “standard repayment plan” and inserting
6 “fixed repayment plan”.

7 **SEC. 5. AMENDMENTS TO THE INTERNAL REVENUE CODE.**

8 (a) **IN GENERAL.**—Paragraph (1) of section 108(f)
9 of the Internal Revenue Code of 1986 is amended by strik-
10 ing “any student loan if” and all that follows and inserting
11 “any student loan if—

12 “(A) such discharge was pursuant to a
13 provision of such loan under which all or part
14 of the indebtedness of the individual would be
15 discharged if the individual worked for a certain
16 period of time in certain professions for any of
17 a broad class of employers, or

18 “(B) such discharge was pursuant to sec-
19 tion 437(a) of the Higher Education Act of
20 1965 (relating to the repayment of loan liabil-
21 ity).”.

22 (b) **EFFECTIVE DATE.**—The amendment made by
23 subsection (a) shall apply to discharges of loans after the
24 date of enactment of this Act.

1 **SEC. 6. NOTIFICATION TO BORROWERS ABOUT REPAYMENT**

2 **OPTIONS AND ALTERNATIVES TO DEFAULT.**

3 Not later than 1 year after the date of enactment
4 of this Act, the Secretary of Education shall require
5 servicers of loans made, insured, or guaranteed under part
6 B or D of title IV of the Higher Education Act of 1965
7 (20 U.S.C. 1071 et seq. and 1087a et seq.) to—

8 (1) notify borrowers, in writing and through
9 electronic format, about all repayment options for
10 which the borrower may qualify;

11 (2) provide borrowers, in writing and through
12 electronic format, information about alternative re-
13 payment plans, including the borrower's estimated
14 monthly payment, expected number of years to
15 repay, expected amount of loan forgiveness, expected
16 total loan forgiveness, and expected total principal
17 and interest paid, associated with each repayment
18 plan in a format that permits the borrower to com-
19 pare the current repayment plan with alternative re-
20 payment plans; and

21 (3) offer to enroll such borrowers in alternative
22 plans, if eligible.

○