

114TH CONGRESS  
2D SESSION

# S. 2456

To simplify and improve the Federal student loan program through income-contingent repayment to provide stronger protections for borrowers, encourage responsible borrowing, and save money for taxpayers.

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IN THE SENATE OF THE UNITED STATES

JANUARY 20, 2016

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

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## A BILL

To simplify and improve the Federal student loan program through income-contingent repayment to provide stronger protections for borrowers, encourage responsible borrowing, and save money for taxpayers.

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 “Dynamic Repayment  
5 Act of 2016”.

1 **SEC. 2. TERMINATION OF AUTHORITY TO MAKE FEDERAL**  
 2 **DIRECT STAFFORD LOANS, FEDERAL DIRECT**  
 3 **UNSUBSIDIZED STAFFORD LOANS, AND FED-**  
 4 **ERAL DIRECT PLUS LOANS TO STUDENTS**  
 5 **UNDER THE WILLIAM D. FORD FEDERAL DI-**  
 6 **RECT LOAN PROGRAM.**

7 Section 455(a) of the Higher Education Act of 1965  
 8 (20 U.S.C. 1087e(a)) is amended by adding at the end  
 9 the following:

10 “(4) TERMINATION OF AUTHORITY TO MAKE  
 11 FEDERAL DIRECT STAFFORD LOANS, FEDERAL DI-  
 12 RECT UNSUBSIDIZED STAFFORD LOANS, AND FED-  
 13 ERAL DIRECT PLUS LOANS TO STUDENTS UNDER  
 14 THIS PART.—

15 “(A) IN GENERAL.—Notwithstanding any  
 16 provision of this part or part B, for any period  
 17 of instruction beginning on or after July 1,  
 18 2017—

19 “(i) a student shall not be eligible to  
 20 receive a Federal Direct Stafford Loan  
 21 under this part; and

22 “(ii) a student shall not be eligible to  
 23 receive a Federal Direct Unsubsidized  
 24 Stafford Loan or Federal Direct PLUS  
 25 Loan under this part, except as provided in  
 26 subparagraph (B).

1           “(B) EXCEPTIONS.—Subparagraph (A)(ii)  
2 shall not be applicable with respect to the fol-  
3 lowing:

4           “(i) EXISTING STUDENT BOR-  
5 ROWERS.—A student who, as of July 1,  
6 2017, has an outstanding balance of prin-  
7 cipal or interest owing on any loan made,  
8 insured, or guaranteed under part B or  
9 this part may continue to be eligible to  
10 borrow a loan under this part, except for  
11 a Federal Direct Stafford Loan, in accord-  
12 ance with subparagraph (C) until June 30,  
13 2019.

14           “(ii) PARENT PLUS LOANS.—An ex-  
15 cepted PLUS loan or excepted consolida-  
16 tion loan (as such terms are defined in sec-  
17 tion 493C(a)) under this part that is made  
18 to a parent on behalf of an undergraduate  
19 dependent student.

20           “(iii) FEDERAL DIRECT CONSOLIDA-  
21 TION LOANS.—A Federal Direct Consolida-  
22 tion Loan under this part.

23           “(C) MAXIMUM ANNUAL AMOUNTS OF  
24 FEDERAL DIRECT UNSUBSIDIZED STAFFORD  
25 LOANS.—The maximum annual amount of Fed-

1           eral Direct Unsubsidized Stafford Loans a stu-  
 2           dent described in subparagraph (B)(i) may bor-  
 3           row in an academic year (as defined in section  
 4           481(a)(2)) or its equivalent shall be the max-  
 5           imum annual amount for such student deter-  
 6           mined under section 428H, plus an amount  
 7           equal to the amount of Federal Direct Stafford  
 8           Loans the student would have received in the  
 9           absence of subparagraph (A)(i).”.

10 **SEC. 3. ESTABLISHMENT OF THE INCOME DEPENDENT**  
 11                           **EDUCATION ASSISTANCE LOAN PROGRAM**  
 12                           **AND THE IDEA LOAN REPAYMENT PROGRAM.**

13           Title IV of the Higher Education Act of 1965 (20  
 14 U.S.C. 1070 et seq.) is amended by adding at the end  
 15 the following:

16           **“PART J—INCOME DEPENDENT EDUCATION**  
 17                           **ASSISTANCE LOANS**  
 18                           **“Subpart 1—IDEA Loans**

19 **“SEC. 499A. PROGRAM AUTHORITY AND AGREEMENTS.**

20           “(a) PROGRAM AUTHORITY.—

21                   “(1) IN GENERAL.—There are authorized to be  
 22           appropriated, in accordance with the provisions of  
 23           this part, such sums as may be necessary to make  
 24           loans to all eligible students in attendance at partici-  
 25           pating institutions of higher education selected by

1 the Secretary, to enable such students to pursue  
2 their courses of study at such institutions beginning  
3 July 1, 2017. Loans made under this part shall be  
4 made by participating institutions, or consortia  
5 thereof, that have agreements with the Secretary to  
6 originate loans, or by alternative originators des-  
7 ignated by the Secretary to make loans for students  
8 in attendance at participating institutions.

9 “(2) DESIGNATION.—The program established  
10 under this subpart shall be referred to as the ‘In-  
11 come Dependent Education Assistance Loan Pro-  
12 gram’, or the ‘IDEA Loan Program’.

13 “(b) FUNDS FOR THE ORIGINATION OF IDEA  
14 LOANS.—The Secretary shall provide funds for student  
15 loans under this part in the same manner as the Secretary  
16 provided funds for the origination of Federal Direct Stu-  
17 dent Loans under part D in accordance with section 452  
18 on the day before the date of enactment of the Dynamic  
19 Repayment Act of 2016. The requirements, rights, and  
20 limitations with respect to the Secretary and institutions  
21 for funds provided for loans under part D on the day be-  
22 fore the date of enactment of the Dynamic Repayment Act  
23 of 2016 shall apply with respect to the Secretary and insti-  
24 tutions for funds provided for loans under this part, except

1 that funds under this part shall not be provided for parent  
2 loans.

3 “(c) SELECTION OF INSTITUTIONS FOR PARTICIPA-  
4 TION AND ORIGINATION, AND AGREEMENTS WITH INSTI-  
5 TUTIONS.—

6 “(1) SELECTION OF INSTITUTIONS FOR PAR-  
7 TICIPATION AND ORIGINATION.—The Secretary shall  
8 enter into agreements with institutions of higher  
9 education to participate in the IDEA Loan Program  
10 under this part and agreements with institutions of  
11 higher education, or consortia thereof, to originate  
12 loans in such program for academic years beginning  
13 on or after July 1, 2017. The provisions of section  
14 453 as in effect on the day before the date of enact-  
15 ment of the Dynamic Repayment Act of 2016 shall  
16 apply with respect to agreements under this section.  
17 The Secretary shall provide alternative origination  
18 services for loans under this part, as appropriate, in  
19 a manner consistent with the provisions of sections  
20 453 and 456 as in effect on the day before the date  
21 of enactment of the Dynamic Repayment Act of  
22 2016 related to alternative origination services for  
23 loans under part D.

24 “(2) PARTICIPATION AND ORIGINATION AGREE-  
25 MENTS WITH INSTITUTIONS.—An agreement with

1 any institution of higher education for participation  
2 in the IDEA Loan Program under this part, and an  
3 agreement with any institution of higher education,  
4 or consortia thereof, to originate loans in such pro-  
5 gram, shall have the same terms as the terms re-  
6 quired under section 454 as in effect on the day be-  
7 fore the date of enactment of the Dynamic Repay-  
8 ment Act of 2016 for agreements with an institution  
9 for participation or origination, respectively, in the  
10 student loan program under part D, except that  
11 agreements for participation or origination under  
12 this part shall not apply to parent loans.

13 “(3) WITHDRAWAL AND TERMINATION PROCE-  
14 DURES.—The Secretary shall establish procedures by  
15 which institutions or consortia may withdraw or be  
16 terminated from the program under this part.

17 **“SEC. 499B. TERMS AND CONDITIONS OF IDEA LOANS.**

18 “(a) PARALLEL TERMS, CONDITIONS, BENEFITS,  
19 AND AMOUNTS.—Unless otherwise specified in this part,  
20 Income Dependent Education Assistance Loans (referred  
21 to in this part as ‘IDEA Loans’) made to borrowers under  
22 this part shall have the same terms, conditions, and bene-  
23 fits, and be available in the same amounts, as Federal Di-  
24 rect Unsubsidized Stafford Loans made to borrowers  
25 under part D, and first disbursed on the day before the

1 date of enactment of the Dynamic Repayment Act of  
2 2016.

3 “(b) ELIGIBLE BORROWERS.—

4 “(1) IN GENERAL.—In addition to the require-  
5 ments of section 484, to be eligible to receive a loan  
6 (other than an IDEA Consolidation Loan) under  
7 this part, a borrower—

8 “(A) shall be an individual who, on the  
9 date of application for such loan, has no out-  
10 standing balance of principal or interest owing  
11 on any loan made, insured, or guaranteed under  
12 part B or D (other than an excepted PLUS  
13 loan or an excepted consolidation loan (as such  
14 terms are defined in section 493C(a))); or

15 “(B) in the case of an individual with an  
16 outstanding balance of principal or interest  
17 owing on any loan described in subparagraph  
18 (A), shall consolidate all such existing loans  
19 into an IDEA Consolidation Loan under section  
20 499C.

21 “(2) ONLY STUDENT BORROWERS ELIGIBLE.—

22 For purposes of this part, the term ‘borrower’ shall  
23 not include a parent borrower.

24 “(c) ANNUAL AND AGGREGATE LIMITS.—



1           “(1) IN GENERAL.—Subject to paragraph (2),  
2           the maximum annual amount of IDEA Loans in any  
3           academic year (as defined in section 481(a)(2)) or  
4           its equivalent, and the maximum aggregate amount  
5           of IDEA Loans that a student may borrow, shall be  
6           the maximum annual amounts and maximum aggregate  
7           amounts, respectively, of Federal Direct Unsub-  
8           sidized Stafford Loans under part D that such stu-  
9           dent would have been eligible to borrow in the ab-  
10          sence of section 455(a)(4), as added by the Dynamic  
11          Repayment Act of 2016.

12           “(2) GRADUATE AND PROFESSIONAL STUDENTS  
13          ELIGIBLE FOR PLUS LOANS.—In the case of a grad-  
14          uate or professional student who would have been el-  
15          igible to borrow a Federal Direct PLUS Loan under  
16          part D in the absence of section 455(a)(4), as added  
17          by the Dynamic Repayment Act of 2016, the max-  
18          imum annual amounts and maximum aggregate  
19          amounts, respectively, of IDEA Loans that such a  
20          student may borrow as determined under paragraph  
21          (1) for any academic year (as defined in section  
22          481(a)(2)) or its equivalent, may be increased to an  
23          amount equal to the maximum annual amounts and  
24          maximum aggregate amounts, respectively, of Fed-  
25          eral Direct PLUS Loans that such student would

1 have been eligible to borrow in the absence of such  
2 section 455(a)(4).

3 “(d) LOAN FEE.—The Secretary shall charge the  
4 borrower of a loan (other than an IDEA Consolidation  
5 Loan) made under this part an origination fee. Such fee  
6 shall be the sum of—

7 “(1) for the portion of the principal amount of  
8 the loan that is equal to (or less than) the maximum  
9 annual amount a student may borrow under sub-  
10 section (c)(1), 1.0 percent of such portion of the  
11 principal amount of the loan; plus

12 “(2) for the portion of the principal amount of  
13 the loan that exceeds the maximum annual amount  
14 a student may borrow under subsection (c)(1), as  
15 authorized by subsection (c)(2), 4.0 percent of such  
16 portion of the principal amount of the loan.

17 “(e) INTEREST RATES.—

18 “(1) UNDERGRADUATE STUDENTS.—With re-  
19 spect to IDEA Loans made to undergraduate stu-  
20 dents for which the first disbursement is made on or  
21 after July 1, 2017, the applicable rate of interest  
22 shall, during any 12-month period beginning on July  
23 1 and ending on June 30, be determined on the pre-  
24 ceding June 1 and be equal to the lesser of—

1           “(A) a rate equal to the high yield of the  
2           10-year Treasury note auctioned at the final  
3           auction held prior to such June 1, plus 2.05  
4           percent; or

5           “(B) 8.25 percent.

6           “(2) GRADUATE AND PROFESSIONAL STU-  
7           DENTS.—With respect to IDEA Loans made to  
8           graduate or professional students for which the first  
9           disbursement is made on or after July 1, 2017, the  
10          applicable rate of interest shall, during any 12-  
11          month period beginning on July 1 and ending on  
12          June 30, be determined on the preceding June 1  
13          and be equal to the lesser of—

14                 “(A) the rate determined under paragraph  
15                 (1)(A), except that ‘3.6 percent’ shall be sub-  
16                 stituted for ‘2.05 percent’ in such determina-  
17                 tion; or

18                 “(B) 9.25 percent.

19           “(3) CONSULTATION.—The Secretary shall de-  
20          termine the applicable rate of interest under para-  
21          graphs (1) and (2) after consultation with the Sec-  
22          retary of the Treasury and shall publish such rate  
23          in the Federal Register as soon as practicable after  
24          the date of determination.

1           “(4) APPLICATION OF INTEREST RATE DURING  
2 THE LIFE OF THE LOAN.—

3           “(A) IN-SCHOOL DEFERMENT PERIOD.—

4 Interest shall accrue and be capitalized or paid  
5 by the borrower (but periodic installments of  
6 principal need not be paid) during the in-school  
7 deferment period with respect to an IDEA  
8 Loan. For the purposes of this part, the in-  
9 school deferment period with respect to an  
10 IDEA Loan is the first period during which the  
11 borrower is pursuing at least one-half the nor-  
12 mal full-time academic workload (as determined  
13 by the institution) in the course of study for  
14 which the borrower received such loan and end-  
15 ing on the first day of the first month that be-  
16 gins after the borrower ceases to carry at least  
17 one-half the normal full-time academic workload  
18 (as determined by the institution) in the course  
19 of study.

20           “(B) GRACE AND REPAYMENT PERIODS.—

21 Interest that accrues during the borrower’s  
22 grace period (for the purposes of this title, de-  
23 fined as the period between the borrower’s in-  
24 school deferment period and the borrower’s re-

1           payment period) and during the borrower’s re-  
2           payment period shall not be capitalized.

3           “(f) ARMED FORCES STUDENT LOAN INTEREST  
4 PAYMENT PROGRAM.—Using funds received by transfer to  
5 the Secretary under section 2174(f)(2) of title 10, United  
6 States Code, the Secretary shall pay the interest on a loan  
7 made under this part to a member of the Armed Forces  
8 as due for a period not in excess of 36 consecutive months.  
9 The Secretary may not pay interest on such a loan out  
10 of any funds other than funds that have been so trans-  
11 ferred.

12           “(g) NO ACCRUAL OF INTEREST FOR ACTIVE DUTY  
13 SERVICE MEMBERS.—

14           “(1) IN GENERAL.—Notwithstanding any other  
15 provision of this part and in accordance with para-  
16 graphs (2) and (4), interest shall not accrue for an  
17 eligible military borrower on a loan made under this  
18 part for which the first disbursement is made on or  
19 after July 1, 2017.

20           “(2) IDEA CONSOLIDATION LOANS.—In the  
21 case of any IDEA Consolidation loan made under  
22 this part that is disbursed on or after July 1, 2017,  
23 interest shall not accrue pursuant to this subsection  
24 only on such portion of such loan as was used to

1        repay a loan made under part D for which the first  
2        disbursement is made on or after October 1, 2008.

3            “(3) ELIGIBLE MILITARY BORROWER.—In this  
4        subsection, the term ‘eligible military borrower’  
5        means an individual who—

6            “(A)(i) is serving on active duty during a  
7        war or other military operation or national  
8        emergency; or

9            “(ii) is performing qualifying National  
10       Guard duty during a war or other military op-  
11       eration or national emergency; and

12           “(B) is serving in an area of hostilities in  
13       which service qualifies for special pay under  
14       section 310 of title 37, United States Code.

15           “(4) LIMITATION.—An individual who qualifies  
16       as an eligible military borrower under this sub-  
17       section may receive the benefit of this subsection for  
18       not more than 60 months.

19           “(h) LOAN CANCELLATION AND DISCHARGE.—The  
20       Secretary shall discharge a borrower’s liability on a loan  
21       made under this part in accordance with subsections (a)  
22       and (c) of section 437.

23           “(i) LOAN FORGIVENESS.—A loan made under this  
24       part shall be eligible for loan forgiveness under the fol-  
25       lowing conditions:

1           “(1) After 20 years of payments pursuant to  
2           section 499F for borrowers who begin repayment  
3           with an outstanding balance of principal and interest  
4           that is less than the maximum aggregate amount of  
5           IDEA Loans that an undergraduate student may  
6           borrow as provided under subsection (c).

7           “(2) After 30 years of payments pursuant to  
8           section 499F for borrowers who begin repayment  
9           with an outstanding balance of principal and interest  
10          that is equal to or greater than the maximum aggregate  
11          amount of IDEA Loans that an undergraduate  
12          student may borrow as provided under subsection  
13          (c).

14   **“SEC. 499C. IDEA CONSOLIDATION LOANS.**

15          “(a) IDEA CONSOLIDATION LOANS.—

16               “(1) IN GENERAL.—Except as otherwise pro-  
17               vided in this section, an IDEA Consolidation Loan  
18               under this section shall have the same terms, condi-  
19               tions, and benefits as IDEA Loans made under this  
20               part.

21               “(2) BORROWER AND LOAN ELIGIBILITY.—To  
22               be eligible to receive an IDEA Consolidation Loan  
23               under this section, a borrower—

24                       “(A) shall—

1 “(i) meet the criteria described in sec-  
2 tion 428C(a)(3)(A); and

3 “(ii) in the case of a borrower de-  
4 scribed in section 499B(b)(1)(B), agree to  
5 consolidate into an IDEA Consolidation  
6 Loan all loans made to the borrower that  
7 are described in subparagraphs (A) and  
8 (C) of section 428C(a)(4) (other than an  
9 excepted PLUS loan or an excepted con-  
10 solidation loan (as such terms are defined  
11 in section 493C(a)));

12 “(B) may consolidate the loans described  
13 in subparagraphs (B), (D), and (E) of section  
14 428C(a)(4) into such IDEA Consolidation  
15 Loan; and

16 “(C) may not consolidate an IDEA Loan  
17 made under section 499B into such IDEA Con-  
18 solidation Loan.

19 “(3) REQUIREMENTS FOR THE SECRETARY.—  
20 In making IDEA Consolidation Loans under this  
21 section, the Secretary—

22 “(A) shall ensure that—

23 “(i) each IDEA Consolidation Loan  
24 will be made, notwithstanding any other  
25 provision of this title limiting the annual or



1 aggregate principal amount for all loans  
2 made to the borrower, in an amount that  
3 is equal to the sum of the unpaid principal,  
4 interest, penalties, and fees of all loans re-  
5 ceived by the borrower which are selected  
6 by the borrower for consolidation under  
7 this section; and

8 “(ii) the proceeds of each IDEA Con-  
9 solidation Loan will be paid by the Sec-  
10 retary to the holder or holders of the loans  
11 being consolidated to discharge the liability  
12 on such loans;

13 “(B) shall not discriminate against any  
14 borrower seeking such an IDEA Consolidation  
15 Loan—

16 “(i) based on the number or type of  
17 loans the borrower seeks to consolidate;

18 “(ii) based on the interest rate to be  
19 charged to the borrower with respect to the  
20 consolidation loan; or

21 “(iii) based on the type or category of  
22 institution of higher education that the  
23 borrower attends or attended; and

24 “(C) shall disclose to a prospective bor-  
25 rower, in simple and understandable terms, at

1           the time the Secretary provides an application  
2           for an IDEA Consolidation Loan—

3                   “(i) whether consolidation would re-  
4                   sult in a loss of loan benefits under part  
5                   B or part D, including loan forgiveness,  
6                   cancellation, and deferment;

7                   “(ii) with respect to Federal Perkins  
8                   Loans under part E—

9                           “(I) that if a borrower includes a  
10                           Federal Perkins Loan under part E in  
11                           the consolidation loan, the borrower  
12                           will lose all interest-free periods that  
13                           would have been available for the Fed-  
14                           eral Perkins Loan, including—

15                                   “(aa) the periods during  
16                                   which no interest accrues on such  
17                                   loan while the borrower is en-  
18                                   rolled in school at least half-time;

19                                   “(bb) the grace period under  
20                                   section 464(c)(1)(A); and

21                                   “(cc) the periods during  
22                                   which the borrower’s student  
23                                   loan repayments are deferred  
24                                   under section 464(c)(2);

1                   “(II) that if a borrower includes  
2                   a Federal Perkins Loan in the con-  
3                   solidation loan, the borrower will no  
4                   longer be eligible for cancellation of  
5                   part or all of the Federal Perkins  
6                   Loan under section 465(a); and

7                   “(III) the occupations listed in  
8                   section 465 that qualify for Federal  
9                   Perkins Loan cancellation under sec-  
10                  tion 465(a);

11                  “(iii) the options of the borrower to  
12                  prepay the IDEA Consolidation Loan;

13                  “(iv) the consequences of default on  
14                  the IDEA Consolidation Loan; and

15                  “(v) that by applying for an IDEA  
16                  Consolidation Loan, the borrower is not  
17                  obligated to agree to take the consolidation  
18                  loan.

19                  “(b) INTEREST RATE.—Notwithstanding section  
20                  499B(e), an IDEA Consolidation Loan for which the ap-  
21                  plication is received on or after July 1, 2017, shall bear  
22                  interest at an annual rate on the unpaid principal balance  
23                  of the loan that is equal to the weighted average of the  
24                  interest rates on the loans consolidated, rounded to the  
25                  nearest higher one-eighth of one percent. Interest that ac-

1 crues on such an IDEA Consolidation Loan shall not be  
2 capitalized.

3 **“Subpart 2—IDEA Loan Repayment Program**

4 **“CHAPTER 1—ESTABLISHMENT OF THE**  
5 **IDEA LOAN REPAYMENT PROGRAM**

6 **“SEC. 499D. DUTIES OF THE SECRETARY OF THE TREAS-**  
7 **URY.**

8 “(a) IN GENERAL.—As part of the IDEA Loan Re-  
9 payment Program established under this subpart, the Sec-  
10 retary of the Treasury shall, with respect to each indi-  
11 vidual for whom a loan made under this part is in repay-  
12 ment status during a taxable year, transmit to the Sec-  
13 retary of Education—

14 “(1) in the case of such an individual who files  
15 an income tax return for such taxable year, such tax  
16 information as is necessary to determine the individ-  
17 ual’s income-based repayment obligation under sec-  
18 tion 499E; and

19 “(2) in the case of any such individual who does  
20 not file a return for such taxable year, any available  
21 tax information of the individual as may be nec-  
22 essary to determine such obligation and whether  
23 such individual is in default under the terms of such  
24 loan for not so filing.

1       “(b) **ADDITIONAL PROGRAM REQUIREMENTS.**—The  
2 Secretary of the Treasury shall establish such other poli-  
3 cies, procedures, and guidance as may be necessary to  
4 carry out the purposes of this subpart, including measures  
5 to prevent underreporting and evasion of repayment or fil-  
6 ing.

7       **“SEC. 499E. DUTIES OF THE SECRETARY OF EDUCATION.**

8       “(a) **IN GENERAL.**—The Secretary shall carry out,  
9 as part of the IDEA Loan Repayment Program estab-  
10 lished under this subpart, the following activities:

11               “(1) **CALCULATION OF ANNUAL REPAYMENT**  
12               **AMOUNTS.**—The Secretary shall calculate the annual  
13 repayment amount under this subpart for borrowers  
14 with 1 or more loans made under this part in repay-  
15 ment status, including the income-based repayment  
16 obligations of such borrowers in accordance with sec-  
17 tion 499F(i).

18               “(2) **COMMUNICATION WITH THE SECRETARY**  
19               **OF THE TREASURY.**—The Secretary shall transmit  
20 to the Secretary of the Treasury such information as  
21 is necessary for the Secretary of the Treasury to  
22 carry out section 499F(i).

23               “(3) **ANNUAL STATEMENTS.**—Upon calculating  
24 the annual repayment amounts under paragraph (1)  
25 for a taxable year, the Secretary shall provide a

1 statement, on an annual basis, to each borrower  
2 with a loan made under this part, which lists the fol-  
3 lowing:

4 “(A) Total payments made on the bor-  
5 rower’s annual repayment amount for such tax-  
6 able year.

7 “(B) The borrower’s annual repayment  
8 amount for such taxable year.

9 “(C) In the case of a borrower who, ac-  
10 cording to section 499F(f), has underpaid such  
11 annual repayment amount, the amount of such  
12 underpayment and the process for paying such  
13 underpayment under section 499F(f)(2).

14 “(D) In the case of a borrower with an  
15 overpayment on such annual repayment  
16 amount, the amount of such overpayment and  
17 the process for requesting a refund of such  
18 amount under section 499F(g), if applicable.

19 “(E) The outstanding balances on all the  
20 loans made to the borrower under this part.

21 “(F) A description of how the borrower’s  
22 annual repayment amount was calculated under  
23 paragraph (1) or (2) of section 499F(b).

24 “(4) DIRECT PAYMENT.—The Secretary shall  
25 enable a borrower to make direct payments on the

1 borrower's annual repayment amount for the taxable  
2 year to the Secretary throughout the year.

3 “(5) PAYMENTS ON A BORROWER'S BEHALF.—

4 The Secretary shall—

5 “(A) provide a mechanism for other indi-  
6 viduals or entities to make payments on the an-  
7 nual repayment amount of a borrower for a tax-  
8 able year; and

9 “(B) notify the borrower that any pay-  
10 ments made under subparagraph (A) for the  
11 taxable year that exceed the annual repayment  
12 amount for the year shall not be refunded to  
13 the borrower.

14 “(6) CALCULATING INTEREST ACCRUED.—The  
15 Secretary shall calculate the interest accrued for the  
16 taxable year as if the borrower's payments under  
17 wage withholding under paragraph (10) for the tax-  
18 able year were made in 12 equal increments  
19 throughout the year.

20 “(7) APPEALS PROCESS.—The Secretary shall  
21 make available a process through which a borrower  
22 can appeal the calculation of the borrower's annual  
23 repayment amount, including a worksheet that en-  
24 ables a borrower to calculate the borrower's annual  
25 repayment amount.

1           “(8) DEFAULT FOR FAILURE TO FILE A RE-  
2           TURN.—In a case in which the Secretary receives in-  
3           formation from the Secretary of the Treasury under  
4           section 499D that a borrower with a loan made  
5           under this part in repayment status has failed to file  
6           a return under section 6012(a)(1) of the Internal  
7           Revenue Code of 1986 and such borrower was re-  
8           quired to file such a return, the Secretary shall—

9                   “(A) notify the borrower of the borrower’s  
10                   failure to file such a return; and

11                   “(B) if the borrower fails to file such a re-  
12                   turn within 90 days of receipt of the notice de-  
13                   scribed in subparagraph (A), consider the bor-  
14                   rower’s loans made under this part in repay-  
15                   ment status to be in default.

16           “(9) WITHHOLDING OPT-OUT.—The Secretary  
17           shall establish a process through which a borrower  
18           can indicate that the borrower would like to opt-out  
19           of the withholding process under subsection (b) and,  
20           in lieu of such process, make payments on a monthly  
21           basis, as described in subsection (c).

22           “(10) EMPLOYER WITHHOLDING.—The Sec-  
23           retary shall establish a process that meets the re-  
24           quirements of subsection (b) under which employers  
25           making payment of wages deduct and withhold upon



1 such wages amounts determined in accordance with  
2 subsection (b)(3) with respect to an employee—

3 “(A) who has a loan made under this part  
4 that is in repayment status;

5 “(B) who has not opted out of the with-  
6 holding process under this paragraph; and

7 “(C) who is not in a forbearance period  
8 under section 499F(a)(2)(C).

9 “(11) MONTHLY PAYMENTS PROCESS.—The  
10 Secretary shall establish a monthly payments proc-  
11 ess described in subsection (c).

12 “(b) REQUIREMENTS FOR EMPLOYER WITH-  
13 HOLDING.—

14 “(1) WITHHOLDING ORDERS.—In carrying out  
15 the employer withholding process under subsection  
16 (a)(10), the Secretary shall carry out the following:

17 “(A) NEW EMPLOYMENT.—Upon deter-  
18 mining, using the information provided under  
19 section 453(j)(12) of the Social Security Act  
20 (42 U.S.C. 653(j)(12)), that a borrower who  
21 meets the requirements of subparagraphs (A)  
22 through (C) of subsection (a)(10) obtains new  
23 employment, issue a withholding order to the  
24 borrower’s employer directing the employer to

1 withhold and transmit the amounts described in  
2 paragraph (3) to the Secretary.

3 “(B) OTHER PURPOSES.—Upon notifica-  
4 tion by a borrower that the borrower no longer  
5 wishes to opt out of the withholding process  
6 under subsection (a)(10) or that a borrower  
7 who has been in forbearance under section  
8 499F(a)(2)(C), voluntarily ends or no longer  
9 qualifies for such forbearance, or upon deter-  
10 mining that a borrower has entered repayment  
11 status on 1 or more loans made under this part  
12 (and the borrower had no loans made under  
13 this part already in repayment status), using  
14 the information provided under section  
15 453(j)(12) of the Social Security Act (42  
16 U.S.C. 653(j)(12)), issue a withholding order to  
17 all of the borrower’s employers directing such  
18 employers to withhold and transmit the  
19 amounts described in paragraph (3) to the Sec-  
20 retary.

21 “(C) STOP WITHHOLDING ORDER.—Upon  
22 determining that a borrower is eligible for a for-  
23 bearance under section 499F(a)(2)(C), that the  
24 borrower has opted out of the withholding proc-  
25 ess under subsection (a)(10), or that a borrower

1 has repaid the borrower's loans made under  
2 this part, using the information provided under  
3 paragraph 12 of section 453(j)(12) of the So-  
4 cial Security Act (42 U.S.C. 653(j)(12)), issue  
5 a withholding order to the borrower's employers  
6 directing such employers to cease withholding  
7 under this paragraph.

8 “(D) TRANSFER OF PAYMENTS.—Outline  
9 clearly the process through which employers  
10 shall transfer money withheld under this sub-  
11 section to the Secretary.

12 “(E) ELECTRONIC TRANSMISSION.—

13 “(i) IN GENERAL.—Make available  
14 electronic means of transmitting and proc-  
15 essing both withholding orders and pay-  
16 ments from employers, including a means  
17 to correct under- and overpayments to the  
18 extent feasible, with the goal of stream-  
19 lining the processing of such orders and  
20 payments and minimizing impacts on em-  
21 ployers.

22 “(ii) NO REQUIREMENT TO USE ELEC-  
23 TRONIC TRANSMISSION.—Nothing in this  
24 part shall be construed to require an em-  
25 ployer, in carrying out a withholding order

1           under this section, to use the electronic  
2           process described in clause (i).

3           “(2) EMPLOYER REMITTANCE.—

4           “(A) IN GENERAL.—In the case where an  
5           employer has received a withholding order  
6           under subparagraph (A) or (B) of paragraph  
7           (1) or the employee has indicated under para-  
8           graph (4)(A) that the employee has a loan that  
9           meets the requirements of subparagraphs (A)  
10          through (C) of subsection (a)(10), and the em-  
11          ployer has not subsequently received an order to  
12          stop withholding under paragraph (1)(C) for  
13          such employee, the employer shall withhold and  
14          transmit the amounts described in paragraph  
15          (3) to the Secretary as directed under para-  
16          graph (1)(D) and shall be liable for, and the  
17          Secretary, as appropriate, may sue the em-  
18          ployer in a State or Federal court of competent  
19          jurisdiction to recover any amount that such  
20          employer fails to withhold from wages with re-  
21          spect to an employee after being directed to do  
22          so for such employee, plus attorneys’ fees, costs,  
23          and, in the court’s discretion, punitive damages.  
24          Such employer shall not be required to vary the

1 normal pay and disbursement cycles in order to  
2 comply with this subparagraph.

3 “(B) TIMING.—An employer transmitting  
4 to the Secretary withholding payments under  
5 this subsection shall transmit such payments on  
6 a periodic basis, as determined by the employer  
7 but not less frequently than quarterly.

8 “(3) WITHHOLDING AMOUNT.—The amount  
9 withheld by an employer for each pay period with re-  
10 spect to any employee for whom the employer is  
11 withholding under this subsection shall be an  
12 amount equal to the sum of—

13 “(A) the amount that results from the em-  
14 ployer withholding—

15 “(i) 10 percent of the employee’s  
16 wages for such pay period that will count  
17 towards the employee’s annual repayment  
18 amount under section 499F(b) that is in  
19 excess of the employee’s exemption amount  
20 for such pay period (as determined by di-  
21 viding the employee’s exemption amount  
22 under section 499F(i)(3) by the number of  
23 pay periods for the taxable year); or

24 “(ii) in a case in which an employee  
25 requests that such exemption amount not

1           be taken into account, 10 percent of the  
2           employee’s wages for such pay period that  
3           will count towards the employee’s annual  
4           repayment amount under section 499F(b);  
5           and

6           “(B) any additional amounts the employee  
7           wishes to have withheld in accordance with  
8           paragraph (4)(C).

9           “(4) WITHHOLDING PREFERENCES.—The Sec-  
10          retary shall provide forms and procedures to allow  
11          an employee to indicate to the employee’s em-  
12          ployer—

13                 “(A) that the employee has a loan that  
14                 meets the requirements of subparagraphs (A)  
15                 through (C) of subsection (a)(10) and therefore  
16                 the employer shall withhold payments under  
17                 this subsection;

18                 “(B) that the employer shall not take into  
19                 account the exemption amount to which the em-  
20                 ployee is eligible under this part in determining  
21                 the employee’s withholding amount because the  
22                 exemption amount has already been taken into  
23                 account with respect to such employee; and

24                 “(C) an election by the employee to have  
25                 amounts withheld in addition to the employee’s

1           withholding amount as calculated under para-  
2           graph (3).

3           “(5) EMPLOYEE PROTECTION.—An employer  
4           may not discharge from employment, refuse to em-  
5           ploy, or take disciplinary action against an indi-  
6           vidual subject to wage withholding in accordance  
7           with this section by reason of the fact that the indi-  
8           vidual’s wages have been subject to withholding  
9           under this section, nor may an employer require that  
10          an individual opt-out under subsection (a)(9) and  
11          such individual may sue in a State or Federal court  
12          of competent jurisdiction any employer who takes  
13          such action. The court shall award attorneys’ fees to  
14          a prevailing employee and, in its discretion, may  
15          order reinstatement of the individual, award punitive  
16          damages and back pay to the employee, or order  
17          such other remedy as may be reasonably necessary.

18          “(6) GARNISHMENT.—For purposes of title III  
19          of the Consumer Credit Protection Act (15 U.S.C.  
20          1671 et seq.), amounts withheld under this sub-  
21          section shall—

22                  “(A) not be considered a garnishment; and

23                  “(B) be considered to be amounts required  
24                  by law to be withheld.

25          “(c) MONTHLY PAYMENTS PROCESS.—

1           “(1) IN GENERAL.—The Secretary shall estab-  
2           lish a process under which a borrower may make  
3           monthly payments towards the borrower’s annual re-  
4           payment amount, at any time in the taxable year,  
5           because the borrower—

6                   “(A) has opted-out of withholding under  
7                   subsection (a)(10); or

8                   “(B) expects to have income that is not  
9                   subject to the withholding process described in  
10                  subsection (b).

11           “(2) INFORMATION REQUIRED.—The procedure  
12           for initiating the monthly payments process under  
13           paragraph (1) shall include the following:

14                   “(A) INCOME ESTIMATE.—A requirement  
15                   for a borrower to provide an estimate of the  
16                   borrower’s income for the taxable year that will  
17                   count towards the borrower’s income-based re-  
18                   payment obligation, excluding, in the case of a  
19                   borrower subject to the withholding process,  
20                   any income subject to the withholding process.

21                   “(B) AMORTIZATION SCHEDULE.—In the  
22                   case of a borrower who has opted out of the  
23                   withholding process, the ability for the borrower  
24                   to indicate that the borrower would like the bor-  
25                   rower’s monthly payments set such that the



1           borrower’s outstanding loans made under this  
2           part would be repaid within a specified number  
3           of years.

4           “(3) MONTHLY PAYMENTS AMOUNTS.—The  
5           Secretary shall set the borrower’s monthly payment  
6           amount to the greater of—

7                   “(A) the difference between the borrower’s  
8                   annual repayment amount that would result  
9                   given the income estimate provided by the bor-  
10                  rower under paragraph (2)(A) and the pay-  
11                  ments the borrower has already made in the  
12                  year towards such amount (excluding, for bor-  
13                  rowers who have not opted-out of withholding,  
14                  payments through the withholding process), di-  
15                  vided by the remaining months in the taxable  
16                  year; or

17                   “(B) for a borrower who indicates a time  
18                   frame under paragraph (2)(B), the monthly  
19                   payment amount that would result in the bor-  
20                   rower’s currently outstanding loans made under  
21                   this part being repaid within the number of  
22                   years specified by the borrower.

23           “(4) AUTOMATIC CONTINUATION.—The month-  
24           ly payments process shall continue until—

1           “(A) the borrower elects to stop such pay-  
2           ments; or

3           “(B) the borrower’s loans made under this  
4           part are repaid.

5           “(5) UPDATING PAYMENT AMOUNTS.—

6           “(A) SECRETARY.—The Secretary shall  
7           automatically recalculate a borrower’s monthly  
8           payment amount at the beginning of a new tax-  
9           able year using the most recent income estimate  
10          provided under paragraph (2)(A) by the bor-  
11          rower.

12          “(B) BORROWER.—The borrower may up-  
13          date the borrower’s income estimate under  
14          paragraph (2)(A) at any time.

15       **“CHAPTER 2—BORROWER REPAYMENT OF**  
16       **IDEA LOANS AND IDEA CONSOLIDA-**  
17       **TION LOANS**

18       **“SEC. 499F. BORROWER REPAYMENT.**

19       “(a) REPAYMENT PERIOD.—The repayment period of  
20       a loan made under this part shall—

21           “(1) begin on the first day of the first taxable  
22           year that begins after the borrower’s in-school  
23           deferment period, or in the case of an IDEA Con-  
24           solidation Loan, on the first day of the first taxable

1 year that begins after such Consolidation Loan is  
2 disbursed; and

3 “(2) continue until the loan is paid in full, ex-  
4 cept that the Secretary may grant a borrower for-  
5 bearance of the borrower’s annual repayment  
6 amount—

7 “(A) for a period not to exceed 60 days,  
8 due to administrative or technical reasons;

9 “(B) for a period not to exceed 3 months,  
10 due to unusual circumstances that disrupt the  
11 borrower’s ability to make timely payments on  
12 the loan; or

13 “(C) renewable at 12-month intervals for a  
14 period not to exceed 3 years, due to docu-  
15 mented extreme economic hardship on the part  
16 of a borrower.

17 “(b) ANNUAL REPAYMENT AMOUNT.—The annual  
18 repayment amount under this part for a taxable year for  
19 a borrower with 1 or more loans made under this part  
20 in repayment status shall be equal to the lesser of—

21 “(1) the income-based repayment obligation for  
22 such borrower for such year, as calculated under  
23 section 499E(a)(1); or

24 “(2) an amount equal to the sum of the out-  
25 standing balances (equal to the sum of the unpaid

1 principal, interest, penalties, and fees) that the bor-  
2 rower owes on such loans.

3 “(c) METHODS OF REPAYMENT.—A borrower who  
4 expects to have an annual repayment amount for the tax-  
5 able year that is greater than the amount specified in sub-  
6 section (f)(1)(D) shall make payments through the fol-  
7 lowing methods:

8 “(1) With respect to any wages earned by the  
9 borrower that are subject to Federal income tax  
10 withholding, the withholding process described in  
11 section 499E(a)(10).

12 “(2) The monthly payments process described  
13 in section 499E(c), to meet the portion of the bor-  
14 rower’s obligation that is not paid through with-  
15 holding, or, in the case of a borrower who opts out  
16 of the withholding process, to meet the borrower’s  
17 entire obligation.

18 “(3) The direct payments process under section  
19 499E(a)(4).

20 “(4) The process described in section  
21 499E(a)(5) that allows other individuals or entities  
22 to make payments on the borrower’s annual repay-  
23 ment amount for the year.

24 “(d) ORDER OF CREDITING.—Payments on loans  
25 made under this part shall be applied, without regard to

1 the method of such payments, first toward penalties due  
2 on the loans, next toward any fees due on the loans, then  
3 toward any interest due on the loans, and finally toward  
4 the principal due on the loan with the highest applicable  
5 rate of interest among such loans.

6 “(e) PREPAYMENT AUTHORIZED.—A borrower shall  
7 have the right to prepay all or part of such loan, at any  
8 time and without penalty. Any such prepayment amount  
9 will be applied to loans made under this part in the same  
10 order as described in subsection (d).

11 “(f) UNDERPAYMENTS.—

12 “(1) PENALTIES FOR UNDERPAYMENTS.—

13 “(A) IN GENERAL.—Subject to subpara-  
14 graph (C), if, as of the last day of a taxable  
15 year, a borrower has not paid at least 90 per-  
16 cent of the borrower’s annual repayment  
17 amount for such year, the borrower shall be  
18 charged a penalty in an amount equal to 10  
19 percent of the difference between—

20 “(i) an amount equal to 90 percent of  
21 the borrower’s annual repayment amount  
22 for such year; and

23 “(ii) the amount paid on such annual  
24 repayment amount as of such day.

1           “(B) INCREASE OF ANNUAL REPAYMENT  
2 AMOUNT.—A borrower’s annual repayment  
3 amount calculated under subsection (b) for such  
4 year shall be increased by the amount of such  
5 penalty, but such penalty shall not be treated as  
6 a principal or interest amount for a loan made  
7 under this part.

8           “(C) EXCEPTION FOR MEETING THE OBLI-  
9 GATION FOR THE PREVIOUS YEAR.—A borrower  
10 who has paid 100 percent of the borrower’s an-  
11 nual repayment amount for the taxable year  
12 preceding the taxable year described in sub-  
13 paragraph (A) shall not be subject to the pen-  
14 alty under this paragraph for the taxable year  
15 described in subparagraph (A).

16           “(D) DE MINIMIS EXCEPTION.—A bor-  
17 rower whose annual repayment amount is less  
18 than \$300 shall not be subject to the penalty  
19 under this paragraph for the taxable year de-  
20 scribed in subparagraph (A).

21           “(2) RECONCILING UNDERPAYMENTS.—

22           “(A) IN GENERAL.—If, as of the last day  
23 of a taxable year, the sum of the payments  
24 made on a borrower’s annual repayment  
25 amount for such year is less than the total

1 amount of the borrower's annual repayment  
2 amount for such year, the borrower—

3 “(i) in the case of the first year that  
4 the borrower has a difference between such  
5 amounts—

6 “(I) may request, in such manner  
7 as the Secretary shall require, that  
8 the Secretary reduce the borrower's  
9 annual repayment amount for such  
10 year to the sum of—

11 “(aa) the payments made,  
12 as of such day, on the borrower's  
13 annual repayment amount for  
14 such year; and

15 “(bb) any penalties cal-  
16 culated under paragraph (1) re-  
17 sulting from such underpayment;  
18 and

19 “(II) if the borrower qualifies for  
20 the reduction requested under sub-  
21 clause (I), shall pay the sum cal-  
22 culated under such subclause at such  
23 time and in such manner as required  
24 by the Secretary;

1           “(ii) if the borrower does not qualify  
2           for a reduction under clause (i) or does not  
3           request such a reduction, shall pay to the  
4           Secretary an amount equal to the dif-  
5           ference between such amounts within the  
6           30-day period beginning on the date of re-  
7           ceipt by the borrower of the borrower’s an-  
8           nual statement described in section  
9           499E(a)(3) for such year; or

10           “(iii) if the borrower fails to pay the  
11           amount owed by the borrower as calculated  
12           under clause (ii) within the 30-day period,  
13           shall be charged a penalty equal to 2 per-  
14           cent of such amount for each month (pro-  
15           rated based on the percentage of a month  
16           such penalty is charged) that such amount  
17           is owed or until the borrower defaults on  
18           the loan for which such amount is owed,  
19           whichever occurs first.

20           “(B) DEFAULT.—A loan for which an  
21           amount is owed under subparagraph (A) and  
22           that is not paid within 270 days after the date  
23           of receipt by the borrower of the borrower’s an-  
24           nual statement described in section 499E(a)(3)  
25           shall be considered to be in default.



1           “(g) OVERPAYMENTS.—If, as of the last day of a tax-  
2 able year, the sum of the payments made on a borrower’s  
3 annual repayment amount for such year is greater than  
4 the total amount of the borrower’s annual repayment  
5 amount for such year, the Secretary shall—

6           “(1) refund the overpayment amount, if the  
7 borrower notifies the Secretary, within the 90-day  
8 period beginning on the date of receipt of the bor-  
9 rower’s annual statement described in section  
10 499E(a)(3) for such year and in a manner pre-  
11 scribed by the Secretary, that the borrower desires  
12 to have the overpayment amount refunded; or

13           “(2) if a borrower fails to notify the Secretary  
14 of the borrower’s desire for a refund of such amount  
15 within such 90-day period, apply such amount as a  
16 prepayment to the borrower’s loans made under this  
17 part in the same manner as a prepayment author-  
18 ized under subsection (e).

19           “(h) EMPLOYER FAILURE TO WITHHOLD PAY-  
20 MENTS.—In the case of a borrower whose employer fails  
21 to withhold amounts under section 499E(b) upon any  
22 wages earned by the borrower that are subject to Federal  
23 income tax withholding and with respect to which the bor-  
24 rower made an election to have amounts withheld under  
25 such section, the Secretary shall—

1           “(1) reduce the borrower’s annual repayment to  
2           an amount equal to the borrower’s annual repay-  
3           ment amount had wages from such employer been  
4           excluded when calculating the borrower’s annual re-  
5           payment amount; and

6           “(2) reduce any penalties for underpayments  
7           calculated under subsection (f)(1) and refund any  
8           overpayments on such annual repayment amount,  
9           accordingly.

10          “(i) DETERMINATION OF INCOME-BASED REPAY-  
11          MENT OBLIGATION.—

12           “(1) IN GENERAL.—The income-based repay-  
13           ment obligation with respect to an individual for any  
14           taxable year is an amount equal to 10 percent of the  
15           excess of—

16           “(A) the sum of—

17           “(i) the wages, salaries, tips, and  
18           other employee compensation of the indi-  
19           vidual, but only if such amounts are in-  
20           cludible in gross income for the taxable  
21           year (determined without regard to sec-  
22           tions 911, 931, and 933 of the Internal  
23           Revenue Code of 1986) and are readily at-  
24           tributable to the individual, plus

1           “(ii) any other amount included in  
2           total income of the taxpayer for the tax-  
3           able year but not described in clause (i),  
4           except that such amount shall be divided  
5           by 2 in the case of an individual who is  
6           married and filing a joint tax return, over  
7           “(B) the sum of—

8           “(i) the exemption amount with re-  
9           spect to such individual, plus

10           “(ii) the lesser of the amount deter-  
11           mined with respect to the taxpayer under  
12           subparagraph (A)(ii), or \$3,000.

13           “(2) EXCLUSION OF CERTAIN AMOUNTS PAID  
14           ON BEHALF OF INDIVIDUAL.—Any amount paid on  
15           the borrower’s behalf under section 499E(a)(5) shall  
16           not be taken into account in determining such bor-  
17           rower’s income-based repayment obligation.

18           “(3) EXEMPTION AMOUNT.—For purposes of  
19           this subpart, the exemption amount with respect to  
20           an individual shall be \$10,000 (adjusted each year  
21           to reflect changes in the Consumer Price Index for  
22           All Urban Consumers published by the Bureau of  
23           Labor Statistics of the Department of Labor for the  
24           most recent 12-month period for which such data  
25           are available).

1           “(4) INDIVIDUALS NOT FILING A RETURN.—  
 2           The income-based repayment obligation with respect  
 3           to an individual not required to file a return under  
 4           section 6012(a)(1) of the Internal Revenue Code of  
 5           1986 shall be treated as zero.”.

6 **SEC. 4. CONFORMING CHANGES TO THE HIGHER EDU-**  
 7 **CATION ACT OF 1965.**

8           (a) LOAN FORGIVENESS AND CANCELLATION FOR  
 9 TEACHERS.—

10           (1) LOAN FORGIVENESS FOR TEACHERS.—Sec-  
 11 tion 428J of the Higher Education Act of 1965 (20  
 12 U.S.C. 1078–10) is amended—

13           (A) in subsection (b), by inserting “or for  
 14 an IDEA loan made under part J,” after “or  
 15 428H,”; and

16           (B) in subsection (c)—

17           (i) in paragraph (1), by inserting “or  
 18 an IDEA loan made under part J” after  
 19 “or 428H”; and

20           (ii) in paragraph (2)—

21           (I) by striking “A loan” and in-  
 22 serting the following:

23           “(A) LOANS MADE UNDER SECTION  
 24 428C.—A loan”; and

1 (II) by adding at the end the fol-  
2 lowing:

3 “(B) IDEA CONSOLIDATION LOAN.—A  
4 loan amount for an IDEA Consolidation Loan  
5 may be a qualified loan amount for purposes of  
6 this subsection only to the extent that such loan  
7 amount was used to repay a Federal Direct  
8 Stafford Loan, a Federal Direct Consolidation  
9 Loan, a Federal Direct Unsubsidized Stafford  
10 Loan, or a loan made under section 428, 428C,  
11 or 428H.”.

12 (2) LOAN CANCELLATION FOR TEACHERS.—  
13 Section 460 of the Higher Education Act of 1965  
14 (20 U.S.C. 1087j) is amended—

15 (A) in subsection (b), in the matter pre-  
16 ceding paragraph (1), by inserting “or for an  
17 IDEA loan made under part J” after “under  
18 this part”; and

19 (B) in subsection (c)—

20 (i) in paragraph (1), by striking “or a  
21 Federal Direct Unsubsidized Stafford  
22 Loan” and inserting “, a Federal Direct  
23 Unsubsidized Stafford Loan, or an IDEA  
24 loan made under part J”; and

25 (ii) in paragraph (2)—

1 (I) by striking “A loan” and in-  
2 serting the following:

3 “(A) FEDERAL DIRECT CONSOLIDATION  
4 LOAN.—A loan”; and

5 (II) by adding at the end the fol-  
6 lowing new subparagraph:

7 “(B) IDEA CONSOLIDATION LOAN.—A  
8 loan amount for an IDEA Consolidation Loan  
9 may be a qualified loan amount for purposes of  
10 this subsection only to the extent that such loan  
11 amount was used to repay a Federal Direct  
12 Stafford Loan, a Federal Direct Consolidation  
13 Loan, a Federal Direct Unsubsidized Stafford  
14 Loan, or a loan made under section 428, 428C,  
15 or 428H.”.

16 (b) LOAN FORGIVENESS FOR SERVICE IN AREAS OF  
17 NATIONAL NEED.—Section 428K(a)(2) of the Higher  
18 Education Act of 1965 (20 U.S.C. 1078–11(a)(2)) is  
19 amended—

20 (1) in subparagraph (A), by striking “and”  
21 after the semicolon;

22 (2) in subparagraph (B), by striking the period  
23 at the end and inserting “; and”; and

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

1           “(C) to cancel a qualified loan amount for  
2           a loan made under part J.”.

3           (c) LOAN REPAYMENT FOR CIVIL LEGAL ASSIST-  
4 ANCE ATTORNEYS.—Section 428L(b)(2)(A) of the Higher  
5 Education Act of 1965 (20 U.S.C. 1078–12(b)(2)(A)) is  
6 amended—

7           (1) in clause (i), by striking “or part E” and  
8           inserting “, part E, or part J”; and

9           (2) in clause (ii)—

10           (A) in the matter preceding subclause (I),  
11           by striking “or 455(g)” and inserting “, 455(g),  
12           or 499C”;

13           (B) in subclause (II), by striking “or”  
14           after the semicolon;

15           (C) by redesignating subclause (III) as  
16           subclause (IV); and

17           (D) by inserting after subclause (II) the  
18           following:

19                           “(III) a Federal Direct Consoli-  
20                           dation loan or a loan made under sec-  
21                           tion 428C, in the case of a loan made  
22                           under section 499C; or”.

23           (d) MASTER PROMISSORY NOTE.—Section  
24 432(m)(1)(D) of the Higher Education Act of 1965 (20  
25 U.S.C. 1082(m)(1)(D)) is amended—

1           (1) by striking “this part and part D” each  
2 place it appears and by inserting “this part, part D,  
3 and part J”; and

4           (2) by striking “this part or part D” each place  
5 it appears and by inserting “this part, part D, or  
6 part J”.

7           (e) CONTRACTS.—Section 456 of the Higher Edu-  
8 cation Act of 1965 (20 U.S.C. 1087f) is amended—

9           (1) in subsection (a)—

10           (A) in paragraph (2), by striking “this  
11 part” each place it appears and inserting “this  
12 part or part J”; and

13           (B) in paragraph (4), by inserting “or part  
14 J” after “this part”; and

15           (2) in subsection (b)—

16           (A) in paragraph (1), by inserting “or the  
17 program under part J” after “(or their par-  
18 ents)”;

19           (B) in paragraph (2), by inserting “or part  
20 J” after “this part”;

21           (C) in paragraph (3), by inserting “or part  
22 J” after “this part”; and

23           (D) in paragraph (4), by inserting “or the  
24 IDEA Loan Program” after “loan program”.



1 (f) FUNDS FOR ADMINISTRATIVE EXPENSES.—Sec-  
2 tion 458(a)(3) of the Higher Education Act of 1965 (20  
3 U.S.C. 1087h(a)(3)) is amended—

4 (1) by striking “this part and part B” and in-  
5 serting “this part, part B, and part J”; and

6 (2) by inserting before the period at the end the  
7 following: “and part J”.

8 (g) STUDENT ELIGIBILITY.—Section 484 of the  
9 Higher Education Act of 1965 (20 U.S.C. 1091) is  
10 amended—

11 (1) in subsection (b)—

12 (A) in paragraph (3), by striking “or D”  
13 and inserting “, D, or E”; and

14 (B) in paragraph (4)(B), by striking “or  
15 E” and inserting “E, or J”;

16 (2) in subsection (d)(1), by striking “and E”  
17 and inserting “E, and J”;

18 (3) in subsection (f), by striking “or part E”  
19 both places it appears and inserting “part E, or part  
20 J”; and

21 (4) in subsection (m), by striking “and E” and  
22 inserting “E, and J”.

23 (h) INSTITUTIONAL AND FINANCIAL ASSISTANCE IN-  
24 FORMATION FOR STUDENTS.—Section 485 of the Higher  
25 Education Act of 1965 (20 U.S.C. 1092) is amended—

1 (1) in subsection (a)—

2 (A) in paragraph (1)(M), by striking “and  
3 E” and inserting “E, and J”; and

4 (B) in paragraph (7)(A)(i), by striking  
5 “Loan)” each place it appears and inserting  
6 “Loan) or part J”;

7 (2) in subsection (b)—

8 (A) in paragraph (1)(A)—

9 (i) in the matter preceding clause (i),  
10 by inserting “or made under part J” after  
11 “part E”; and

12 (ii) in clause (vii)—

13 (I) by inserting “or an IDEA  
14 Consolidation Loan” after “Federal  
15 Direct Consolidation Loan”; and

16 (II) by striking “and E” and in-  
17 serting “E, and J”; and

18 (B) in paragraph (2)(A), by striking “or  
19 E” and inserting “E, or J”; and

20 (3) in subsection (l)(1)—

21 (A) in subparagraph (A), in the matter  
22 preceding clause (i), by inserting “or made  
23 under part J” after “student”); and

24 (B) in subparagraph (B), by striking “or  
25 D” and inserting “, D, or J”.

1 **SEC. 5. NATIONAL DIRECTORY OF NEW HIRES.**

2 Section 453(j) of the Social Security Act (42 U.S.C.  
3 653(j)) is amended by adding at the end the following:

4 “(12) INFORMATION COMPARISONS AND DIS-  
5 CLOSURE TO ASSIST WITH COLLECTION OF IDEA  
6 STUDENT LOANS.—

7 “(A) FURNISHING OF INFORMATION BY  
8 THE SECRETARY OF EDUCATION.—The Sec-  
9 retary of Education shall furnish to the Sec-  
10 retary, on such periodic basis as determined by  
11 the Secretary of Education in consultation with  
12 the Secretary, information in the custody of the  
13 Secretary of Education for comparison with in-  
14 formation in the National Directory of New  
15 Hires, in order to obtain information in such  
16 Directory with respect to persons who have a  
17 loan made under part J of title IV of the High-  
18 er Education Act of 1965 in repayment status.

19 “(B) REQUIREMENT TO SEEK MINIMUM  
20 INFORMATION.—The Secretary of Education  
21 shall seek information pursuant to this section  
22 only to the extent necessary to improve collec-  
23 tion of the debts owed on the loans described in  
24 subparagraph (A).

25 “(C) DUTIES OF THE SECRETARY.—

1           “(i) INFORMATION DISCLOSURE.—The  
2           Secretary, in cooperation with the Sec-  
3           retary of Education, shall compare infor-  
4           mation in the National Directory of New  
5           Hires with information provided by the  
6           Secretary of Education with respect to per-  
7           sons described in subparagraph (A) and  
8           shall disclose information in such Directory  
9           regarding such persons to the Secretary of  
10          Education in accordance with this para-  
11          graph, for the purposes specified in this  
12          paragraph.

13           “(ii) CONDITION ON DISCLOSURE.—  
14          The Secretary shall make disclosures in ac-  
15          cordance with clause (i) only to the extent  
16          that the Secretary determines that such  
17          disclosures do not interfere with the effec-  
18          tive operation of the program under this  
19          part.

20           “(D) PROHIBITION AND UNAUTHORIZED  
21          USE.—

22           “(i) IN GENERAL.—Individual data  
23          collected under this paragraph shall not be  
24          used for any purpose not specifically au-  
25          thorized by Federal law.

1                   “(ii) PENALTIES FOR UNAUTHORIZED  
2                   DISCLOSURE OF DATA.—Any individual  
3                   who willfully discloses information provided  
4                   under this paragraph, in any manner to an  
5                   entity not entitled to receive the informa-  
6                   tion, shall be fined under title 18, United  
7                   States Code, imprisoned not more than 5  
8                   years, or both.

9                   “(E) USE OR DISCLOSURE OF INFORMA-  
10                  TION BY THE SECRETARY OF EDUCATION.—The  
11                  Secretary of Education may use or disclose in-  
12                  formation provided under this paragraph only  
13                  for purposes of collecting the debts owed on the  
14                  loans described in subparagraph (A).

15                  “(F) REIMBURSEMENT OF HHS COSTS.—  
16                  The Secretary of Education shall reimburse the  
17                  Secretary, in accordance with subsection (k)(3),  
18                  for the costs incurred by the Secretary in fur-  
19                  nishing the information requested under this  
20                  paragraph.

21                  “(G) COMPLIANCE WITH FERPA.—In car-  
22                  rying out this paragraph, the Secretary and  
23                  Secretary of Education shall not share any per-  
24                  sonally identifiable information and shall act in  
25                  accordance with section 444 of the General

1 Education Provisions Act (20 U.S.C. 1232g,  
 2 commonly known as the ‘Family Educational  
 3 Rights and Privacy Act of 1974’).”.

4 **SEC. 6. DISCLOSURE OF RETURN INFORMATION FOR PUR-**  
 5 **POSES OF IDEA LOAN REPAYMENT PRO-**  
 6 **GRAM.**

7 (a) IN GENERAL.—Subsection (l) of section 6103 of  
 8 the Internal Revenue Code of 1986 is amended by adding  
 9 at the end the following new paragraph:

10 “(23) DISCLOSURE OF RETURN INFORMATION  
 11 TO DEPARTMENT OF EDUCATION FOR PURPOSES OF  
 12 ADMINISTERING IDEA LOAN REPAYMENT PRO-  
 13 GRAM.—

14 “(A) IN GENERAL.—The Secretary shall,  
 15 upon written request, disclose to the Depart-  
 16 ment of Education such return information as  
 17 is necessary for purposes of carrying out the  
 18 IDEA Loan Repayment Program established  
 19 under subpart 2 of part J of the Higher Edu-  
 20 cation Act of 1965.

21 “(B) RESTRICTION ON DISCLOSURE.—Re-  
 22 turn information disclosed under subparagraph  
 23 (A) may be used by officers, employees, and  
 24 contractors of the Department of Education  
 25 only for purposes of, and to the extent nec-

1           essary in determining income-based repayment  
2           obligations under the IDEA Loan Repayment  
3           Program.”.

4           (b) EFFECTIVE DATE.—The amendments made by  
5 this section shall take effect on the date of enactment of  
6 this Act.

7 **SEC. 7. EXCLUSION FOR LOAN FORGIVENESS OF CERTAIN**  
8 **STUDENT LOANS.**

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

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

19                   “(B) such discharge was pursuant to sec-  
20                   tion 499B(i) of the Higher Education Act of  
21                   1965 (relating to the cancellation of loan liabil-  
22                   ity).”.

1           (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to discharges of indebtedness  
3 after the date of enactment of this Act.

○