

115TH CONGRESS  
1ST SESSION

# S. 848

To amend the Higher Education Act of 1965 to encourage entrepreneurship by providing loan deferment and loan cancellation for founders and employees of small business startups, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 5 (legislative day, APRIL 4), 2017

Ms. HASSAN introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To amend the Higher Education Act of 1965 to encourage entrepreneurship by providing loan deferment and loan cancellation for founders and employees of small business startups, 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 “Reigniting Opportunity  
5 for Innovators Act”.



1 the small business startup was established  
2 (as determined by the small business devel-  
3 opment center that approved such bor-  
4 rower under section 21(o)(5) of the Small  
5 Business Act (15 U.S.C. 648(o)(5))).

6 “(C) DEFINITIONS.—In this paragraph—

7 “(i) the terms ‘founder’, ‘full-time em-  
8 ployee’, and ‘small business startup’ have  
9 the meanings given the terms in subsection  
10 (r)(2); and

11 “(ii) the term ‘qualifying small busi-  
12 ness startup borrower’ means a borrower  
13 of a loan made under this part whose em-  
14 ployment as a small business startup  
15 founder or full-time employee is approved  
16 by a small business development center  
17 under section 21(o)(5) of the Small Busi-  
18 ness Act (15 U.S.C. 648(o)(5)).”.

19 (b) LOAN CANCELLATION.—Section 455 of the High-  
20 er Education Act of 1965 (20 U.S.C. 1087e) is amended  
21 by adding at the end the following:

22 “(r) LOAN CANCELLATION FOR FOUNDERS AND EM-  
23 PLOYEES OF SMALL BUSINESS STARTUPS IN DISTRESSED  
24 AREAS.—

25 “(1) LOAN CANCELLATION.—

1           “(A) IN GENERAL.—The Secretary shall  
2 cancel the balance of interest and principal due,  
3 subject to subparagraph (B), on any eligible  
4 Federal Direct Loan not in default for a bor-  
5 rower who—

6           “(i) at the time of such cancellation,  
7 is employed as a founder or full-time em-  
8 ployee of a small business startup in a dis-  
9 tressed area who—

10           “(I) has been approved for loan  
11 cancellation by a small business devel-  
12 opment center under section 21(o)(6)  
13 of the Small Business Act (15 U.S.C.  
14 648(o)(6)); and

15           “(II) began such employment  
16 during the 5-year period beginning on  
17 the date that the small business start-  
18 up was established (as determined by  
19 such small business development cen-  
20 ter); and

21           “(ii) during the time period for which  
22 the borrower has been approved by the  
23 small business development center, which  
24 in no case shall be more than 10 years  
25 after the date on which the small business

1 startup was established, has made 24  
2 monthly payments on the eligible Federal  
3 Direct Loan pursuant to any repayment  
4 plan under subsection (d)(1) or a combina-  
5 tion of such plans while so employed.

6 “(B) LOAN CANCELLATION MAXIMUM.—  
7 The Secretary shall cancel under this subsection  
8 not more than an aggregate of \$20,000 of the  
9 loan obligation on the eligible Federal Direct  
10 Loans of a borrower.

11 “(C) TIMING REQUIREMENTS.—Each of  
12 the 24 monthly payments required under this  
13 subsection shall be made after the date of en-  
14 actment of this subsection.

15 “(D) INELIGIBILITY FOR DOUBLE BENE-  
16 FITS.—No borrower may, for the same service,  
17 receive a reduction of loan obligations under  
18 both this subsection and—

19 “(i) subsection (m); or

20 “(ii) section 428J, 428K, 428L, or  
21 460.

22 “(2) DEFINITIONS.—In this subsection:

23 “(A) DISTRESSED AREA.—The term ‘dis-  
24 tressed area’ has the meaning given the term in

1 section 21(o)(1) of the Small Business Act (15  
2 U.S.C. 648(o)(1)).

3 “(B) ELIGIBLE FEDERAL DIRECT LOAN.—  
4 The term ‘eligible Federal Direct Loan’ means  
5 a Federal Direct Stafford Loan, Federal Direct  
6 PLUS Loan, Federal Direct Unsubsidized Staf-  
7 ford Loan, or a Federal Direct Consolidation  
8 Loan.

9 “(C) FOUNDER; FULL-TIME EMPLOYEE.—  
10 The terms ‘founder’ and ‘full-time employee’  
11 have the meanings given the terms in section  
12 21(o)(1) of the Small Business Act (15 U.S.C.  
13 648(o)(1)).

14 “(D) SMALL BUSINESS STARTUP.—The  
15 term ‘small business startup’ means a business  
16 that is certified by a small business develop-  
17 ment center under section 21(o)(3) of the Small  
18 Business Act (15 U.S.C. 648(o)(3)).”.

19 (c) CONFORMING AMENDMENTS.—Title IV of the  
20 Higher Education Act of 1965 (20 U.S.C. 1070a et seq.)  
21 is further amended—

22 (1) in section 428J(g)(2), by striking “section  
23 455(m)” and inserting “subsection (m) or (r) of sec-  
24 tion 455”;

25 (2) in section 428K(f)—

1 (A) by inserting “subsection (m) or (r) of  
2 section 455 or” before “section 428J”; and

3 (B) by striking “455(m)”;

4 (3) in section 428L(g), by striking “455(m)”  
5 and inserting “subsection (m) or (r) of section 455”;

6 (4) in section 455(m)(4), by inserting “sub-  
7 section (r) or” before “section 428J”; and

8 (5) in section 460(g)(2)(B), by striking “section  
9 455(m)” and inserting “subsection (m) or (r) of sec-  
10 tion 455”.

11 **SEC. 3. SMALL BUSINESS DEVELOPMENT CENTERS.**

12 Section 21 of the Small Business Act (15 U.S.C. 648)  
13 is amended—

14 (1) in subsection (c)(3)—

15 (A) in subparagraph (S), by striking  
16 “and” at the end;

17 (B) in subparagraph (T), by striking the  
18 period at the end and inserting a semicolon;  
19 and

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

21 “(U) certifying small business startups under  
22 subsection (o)(3); and

23 “(V) approving loan deferment or cancellation  
24 under paragraph (5) or (6) of subsection (o) for

1 founders and full-time employees of certain small  
2 business startups.”; and

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

4 “(o) DEFERMENT OR CANCELLATION OF CERTAIN  
5 LOANS.—

6 “(1) DEFINITIONS.—In this subsection—

7 “(A) the term ‘distressed area’ has the  
8 meaning given the term ‘low-income community’  
9 in section 45D(e) of the Internal Revenue Code  
10 of 1986;

11 “(B) the term ‘eligible Federal Direct  
12 Loan’ has the meaning given the term in sec-  
13 tion 455(r)(2) of the Higher Education Act of  
14 1965;

15 “(C) the terms ‘founder’ and ‘full-time em-  
16 ployee’, with respect to a small business start-  
17 up, have the meanings given the terms by the  
18 Administrator; and

19 “(D) the term ‘small business startup’  
20 means a small business concern that, as of the  
21 date that the small business concern submits an  
22 application under paragraph (3), has been in  
23 existence for not more than 3 years.

24 “(2) ROLE OF SMALL BUSINESS DEVELOPMENT  
25 CENTERS.—Any small business development center



1 may, for purposes of eligible Federal Direct Loan  
2 deferment or cancellation under subsection (f)(5) or  
3 (r) of section 455 of the Higher Education Act of  
4 1965 (20 U.S.C. 1087e)—

5 “(A) certify a small business startup under  
6 paragraph (3); and

7 “(B) approve eligible Federal Direct Loan  
8 deferment or cancellation for a founder or full-  
9 time employee of a qualifying small business  
10 startup under paragraph (5) or (6).

11 “(3) CERTIFICATION.—In order to be certified  
12 by a small business development center, a small  
13 business startup shall submit to the small business  
14 development center an application that includes—

15 “(A) a 5-year business plan for the small  
16 business startup;

17 “(B) the number of employees that the  
18 small business startup intends to employ on an  
19 annual basis; and

20 “(C) information that demonstrates that  
21 the small business startup has the potential for  
22 success.

23 “(4) PUBLICATION OF DISTRESSED AREAS.—  
24 The Administrator shall identify and make publicly

1 available on the website of the Administration a list  
2 of distressed areas.

3 “(5) LOAN DEFERMENT FOR FOUNDERS AND  
4 FULL-TIME EMPLOYEES OF A SMALL BUSINESS  
5 STARTUP.—

6 “(A) APPLICATION.—In order to be ap-  
7 proved by a small business development center  
8 for eligible Federal Direct Loan deferment  
9 under subsection (f)(5) of section 455 of the  
10 Higher Education Act of 1965 (20 U.S.C.  
11 1087e), a borrower of an eligible Federal Direct  
12 Loan shall submit to the small business devel-  
13 opment center an application that includes such  
14 information as the Administrator may require.

15 “(B) REQUIREMENTS.—A small business  
16 development center shall approve a borrower  
17 who applies under subparagraph (A) for eligible  
18 Federal Direct Loan deferment if the small  
19 business development center determines that—

20 “(i) the borrower is, as of the date of  
21 the application, a founder or full-time em-  
22 ployee of a small business startup that is  
23 certified under paragraph (3); and

24 “(ii) the employment of the borrower  
25 with the small business startup began dur-

1           ing the 5-year period beginning on the date  
2           on which the small business startup was  
3           established.

4           “(6) LOAN CANCELLATION FOR FOUNDERS AND  
5           FULL-TIME EMPLOYEES OF A SMALL BUSINESS  
6           STARTUP IN A DISTRESSED AREA.—

7           “(A) APPLICATION.—In order to be ap-  
8           proved by a small business development center  
9           for eligible Federal Direct Loan cancellation  
10          under subsection (r) of section 455 of the High-  
11          er Education Act of 1965 (20 U.S.C. 1087e), a  
12          borrower of an eligible Federal Direct Loan  
13          shall submit to the small business development  
14          center an application that includes such infor-  
15          mation as the Administrator may require, in-  
16          cluding an identification of the time period dur-  
17          ing which the borrower has made 24 monthly  
18          payments on the eligible Federal Direct Loan,  
19          as required under subparagraphs (A)(ii) and  
20          (C) of paragraph (1) of such subsection (r).

21          “(B) REQUIREMENTS.—A small business  
22          development center shall approve a borrower  
23          who applies under subparagraph (A) for eligible  
24          Federal Direct Loan cancellation if the small

1 business development center determines that  
2 the borrower—

3 “(i) as of the date of the application,  
4 is employed as a founder or full-time em-  
5 ployee of a small business startup that—

6 “(I) is located in an area that  
7 was a distressed area when the small  
8 business startup was established;

9 “(II) is certified under paragraph  
10 (3) by the small business development  
11 center; and

12 “(III) as of the date that the  
13 small business development center ap-  
14 proves the borrower under this para-  
15 graph, has been operating continu-  
16 ously for not less than 5 years and  
17 not more than 10 years; and

18 “(ii) was employed as a founder or a  
19 full-time employee by a small business  
20 startup described in clause (i) during a pe-  
21 riod beginning not more than 5 years after  
22 the date on which the small business start-  
23 up was established, as identified by the  
24 borrower under subparagraph (A).”.

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