

114TH CONGRESS
2D SESSION

H. R. 5487

To increase purchasing power, strengthen economic recovery, and restore fairness in financing higher education in the United States through student loan forgiveness, caps on interest rates on Federal student loans, and refinancing opportunities for private borrowers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 15, 2016

Ms. BASS introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committees on Financial Services and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To increase purchasing power, strengthen economic recovery, and restore fairness in financing higher education in the United States through student loan forgiveness, caps on interest rates on Federal student loans, and refinancing opportunities for private borrowers, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Student Loan Fairness
3 Act”.

4 **SEC. 2. FINDINGS.**

5 Congress finds the following:

6 (1) A well-educated citizenry is critical to our
7 Nation’s ability to compete in the global economy.

8 (2) The Federal Government has a vested inter-
9 est in ensuring access to higher education.

10 (3) Higher education should be viewed as a
11 public good benefiting our country rather than as a
12 commodity solely benefiting individual students.

13 (4) Recently, total outstanding student loan
14 debt officially surpassed total credit card debt in the
15 United States in 2015, and is on track to exceed
16 \$1,230,000,000,000.

17 (5) Excessive student loan debt is impeding eco-
18 nomic growth in the United States. Faced with ex-
19 cessive repayment burdens, many individuals are un-
20 able to start businesses, invest, or buy homes. Re-
21 lieving student loan debt would give these individuals
22 greater control over their earnings and would in-
23 crease entrepreneurship and demand for goods and
24 services.

25 (6) Because of soaring tuition costs, students
26 often have no choice but to amass significant debt

1 to obtain an education that is widely considered a
2 prerequisite for earning a living wage.

3 (7) Amidst rising tuition rates and stagnant
4 grant funding, many students are forced to supple-
5 ment Federal loans with private loans, which fre-
6 quently feature higher interest rates with fewer con-
7 sumer protections.

8 (8) A borrower who experiences an extended
9 hardship for whatever reason, or a borrower who ex-
10periences a series of separate hardships over a
11 longer period of time, will often have no choice but
12 to default on his or her private student loans. Op-
13portunities to put such private loans into forbear-
14ance are limited.

15 (9) During the period of forbearance on private
16 student loans, interest continues to accrue and is
17 capitalized, and once the borrower comes out of for-
18bearance, he or she owes significantly more on the
19 principal of the loan than before the hardship period
20 began.

21 **SEC. 3. 10/10 LOAN REPAYMENT AND FORGIVENESS.**

22 Part G of title IV of the Higher Education Act of
23 1965 is amended by adding at the end the following:

24 **“SEC. 493E. 10/10 LOAN REPAYMENT AND FORGIVENESS.**

25 “(a) 10/10 LOAN REPAYMENT PLAN.—

1 “(1) 10/10 LOAN REPAYMENT PLAN AUTHOR-
2 IZED.—Notwithstanding any other provision of this
3 Act, the Secretary shall carry out a program (to be
4 known as the ‘10/10 Loan Repayment Plan’) under
5 which—

6 “(A) a borrower of an eligible loan who is
7 eligible under paragraph (3) may elect to have
8 the borrower’s aggregate monthly payment for
9 all such loans not exceed the monthly payment
10 amount described in paragraph (2);

11 “(B) any interest due and not paid under
12 a monthly payment under this subsection—

13 “(i) shall continue to accrue; and

14 “(ii) shall be capitalized up to an
15 amount equal to 10 percent of the original
16 principal amount of all the eligible loans
17 that the borrower is repaying under this
18 subsection;

19 “(C) any principal due and not paid under
20 a monthly payment under this subsection shall
21 be deferred, and shall be forgiven in accordance
22 with subsection (b) if the borrower meets the
23 requirements for forgiveness under such sub-
24 section;

1 “(D) the amount of time the borrower
2 makes monthly payments under this subsection
3 may exceed 10 years;

4 “(E) a borrower who is repaying an eligi-
5 ble loan pursuant to 10/10 Loan Repayment
6 under this subsection may elect, at any time, to
7 terminate repayment pursuant to 10/10 Loan
8 Repayment and repay such loan under the
9 standard repayment plan, in which case the
10 amount of time the borrower is permitted to
11 repay such loans may exceed 10 years; and

12 “(F) the special allowance payment to a
13 lender calculated under section 438(b)(2)(I),
14 when calculated for a loan in repayment under
15 this section, shall be calculated on the principal
16 balance of the loan and on any accrued interest
17 unpaid by the borrower in accordance with this
18 section.

19 “(2) 10/10 LOAN REPAYMENT MONTHLY PAY-
20 MENT FORMULA.—A borrower who has elected to
21 participate in the 10/10 Loan Repayment Plan
22 under this subsection shall, during each month the
23 borrower is participating in such Plan, make a
24 monthly payment in an amount equal to—

1 “(A) one-twelfth of the amount that is 10
2 percent of the result obtained by calculating, on
3 at least an annual basis, the amount by
4 which—

5 “(i) the borrower’s, and the bor-
6 rower’s spouse’s (if applicable), adjusted
7 gross income; exceeds

8 “(ii) 150 percent of the poverty line
9 applicable to the borrower’s family size as
10 determined under section 673(2) of the
11 Community Services Block Grant Act (42
12 U.S.C. 9902(2)); or

13 “(B) in the case of a borrower who is in
14 deferment due to an economic hardship de-
15 scribed in section 435(o), \$0.

16 “(3) ELIGIBILITY.—The Secretary shall estab-
17 lish procedures for annually determining the bor-
18 rower’s eligibility for 10/10 Loan Repayment, includ-
19 ing verification of a borrower’s annual adjusted
20 gross income and the annual amount due on the
21 total amount of eligible loans, and such other proce-
22 dures as are necessary to effectively implement 10/
23 10 Loan Repayment under this subsection.

24 “(4) SPECIAL RULE FOR MARRIED BORROWERS
25 FILING SEPARATELY.—In the case of a married bor-

1 rower who files a separate Federal income tax re-
2 turn, the Secretary shall calculate the amount of the
3 borrower’s 10/10 Loan Repayment under this sub-
4 section solely on the basis of the borrower’s student
5 loan debt and adjusted gross income.

6 “(b) 10/10 LOAN FORGIVENESS.—

7 “(1) IN GENERAL.—The Secretary shall carry
8 out a program (to be known as the ‘10/10 Loan
9 Forgiveness Program’) to forgive a qualified loan
10 amount, in accordance with paragraph (3), on an eli-
11 gible loan for a borrower who, after the date that is
12 10 years prior to the date of enactment of the Stu-
13 dent Loan Fairness Act, has made 120 monthly pay-
14 ments on the eligible loan pursuant to any one or a
15 combination of the following:

16 “(A) Monthly payment under the 10/10
17 Loan Repayment Plan under subsection (a).

18 “(B) Monthly payment under any other re-
19 payment plan authorized under part B or D of
20 an amount that, for a given month, is not less
21 than the monthly payment amount calculated
22 under subsection (a) that the borrower would
23 have owed in the year in which such payment
24 was made, based on the borrower’s adjusted

1 gross income and eligible loan balance for such
2 year.

3 “(C) For any month after such date dur-
4 ing which the borrower is in deferment due to
5 an economic hardship described in section
6 435(o), monthly payment of \$0.

7 “(2) METHOD OF LOAN FORGIVENESS.—To
8 provide loan forgiveness under paragraph (1), the
9 Secretary is authorized to carry out a program—

10 “(A) through the holder of the loan, to as-
11 sume the obligation to repay a qualified loan
12 amount for a loan made, insured, or guaranteed
13 under part B of this title; and

14 “(B) to cancel a qualified loan amount for
15 a loan made under part D of this title.

16 “(3) QUALIFIED LOAN AMOUNT.—After the
17 borrower has made 120 monthly payments described
18 in paragraph (1), the Secretary shall forgive—

19 “(A) with respect to new borrowers on or
20 after the date of enactment of the Student
21 Loan Fairness Act, the sum of—

22 “(i) the balance of principal and fees
23 due on the borrower’s eligible loans as of
24 the time of such forgiveness, not to exceed
25 \$45,520; and

1 “(ii) the amount of interest that has
2 accrued on the balance described in clause
3 (i) as of the time of such forgiveness; or

4 “(B) with respect to any other eligible bor-
5 rower, the balance of principal, interest, and
6 fees due on the borrower’s eligible loans as of
7 the time of such forgiveness.

8 “(4) EXCLUSION FROM TAXABLE INCOME.—
9 The amount of a borrower’s eligible loans forgiven
10 under this section shall not be included in the gross
11 income of the borrower for purposes of the Internal
12 Revenue Code of 1986.

13 “(c) SUPPORTING DOCUMENTATION REQUIRED.—A
14 borrower who has elected to participate in the 10/10 Loan
15 Repayment Plan under subsection (a), or who is request-
16 ing forgiveness under the 10/10 Loan Forgiveness Pro-
17 gram under subsection (b), shall provide to the Secretary
18 such information and documentation as the Secretary de-
19 termines, by regulation, to be necessary to verify the bor-
20 rower’s adjusted gross income and payment amounts
21 made on eligible loans of the borrower for the purposes
22 of such Plan or Program.

23 “(d) DEFINITION OF ELIGIBLE LOAN.—In this sec-
24 tion the term ‘eligible loan’ means any loan made, insured,
25 or guaranteed under part B or D.”.

1 **SEC. 4. CAPPING INTEREST RATES FOR ALL FEDERAL DI-**
2 **RECT LOANS.**

3 Section 455(b) of the Higher Education Act of 1965
4 (20 U.S.C. 1087e(b)) is amended—

5 (1) by redesignating paragraphs (8) and (9) as
6 paragraphs (9) and (10), respectively; and

7 (2) by inserting after paragraph (7) the fol-
8 lowing:

9 “(8) RATE OF INTEREST FOR ALL NEW FED-
10 ERAL DIRECT LOANS.—Notwithstanding any other
11 provision of this Act, with respect to a loan under
12 this part for which the first disbursement of prin-
13 cipal is made (or in the case of a Federal Direct
14 Consolidation Loan, for which the application is re-
15 ceived) on or after October 1, 2016, or the date of
16 enactment of the Student Loan Fairness Act, which-
17 ever is later, the applicable rate of interest shall not
18 exceed 3.4 percent.”.

19 **SEC. 5. 10/10 LOAN REPAYMENT PLAN AS PLAN SELECTED**
20 **BY THE SECRETARY.**

21 (a) FFEL LOANS.—

22 (1) IN GENERAL.—Section 428(b) of the High-
23 er Education Act of 1965 (20 U.S.C. 1078(b)(9)) is
24 amended—

25 (A) in subparagraph (A)—

1 (i) by striking “and” at the end of
2 clause (iv);

3 (ii) in clause (v), by striking the pe-
4 riod at the end and inserting “; and”; and

5 (iii) by adding at the end the fol-
6 lowing new clause:

7 “(vi) beginning October 1, 2016, a
8 10/10 Loan Repayment Plan, with varying
9 annual repayment amounts based on the
10 discretionary income of the borrower, in
11 accordance with section 493E.”; and

12 (B) in subparagraph (B), by striking
13 “(A)(i)” and inserting “(A)(vi)”.

14 (2) EFFECTIVE DATE.—The amendment made
15 by paragraph (1)(B) shall be effective beginning Oc-
16 tober 1, 2016.

17 (b) DIRECT LOANS.—

18 (1) IN GENERAL.—Section 455(d) of the High-
19 er Education Act of 1965 (20 U.S.C. 1087e(d)) is
20 amended—

21 (A) in paragraph (1)—

22 (i) by striking “and” at the end of
23 subparagraph (D);

1 (ii) in subparagraph (E), by striking
2 the period at the end and inserting a semi-
3 colon; and

4 (iii) by adding at the end the fol-
5 lowing new subparagraph:

6 “(F) beginning on October 1, 2016, a 10/
7 10 Loan Repayment Plan, with varying annual
8 repayment amounts based on the discretionary
9 income of the borrower, in accordance with sec-
10 tion 493E.”; and

11 (B) in paragraph (2)—

12 (i) by striking “may” and inserting
13 “shall”; and

14 (ii) by striking “(A), (B), or (C)” and
15 inserting “(F)”.

16 (2) EFFECTIVE DATE.—The amendment made
17 by paragraph (1)(B) shall be effective beginning Oc-
18 tober 1, 2016.

19 **SEC. 6. IMPROVING AND EXPANDING PUBLIC SERVICE**
20 **LOAN FORGIVENESS.**

21 Section 455(m) of the Higher Education Act of 1965
22 (20 U.S.C. 1087e(m)) is amended—

23 (1) in paragraph (1), by striking “120” and in-
24 serting “60” each place it appears; and

25 (2) in paragraph (3)(B)—

1 (A) in clause (i), by striking “or” after the
2 semicolon;

3 (B) in clause (ii), by striking the period
4 and inserting “; or”; and

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

6 “(iii) a full-time job as a primary care
7 physician in an area or population des-
8 ignated as a Medically Underserved Area
9 or Population by the Health Resources and
10 Services Administration.”.

11 **SEC. 7. REFINANCING PRIVATE EDUCATION LOANS FOR**
12 **CERTAIN BORROWERS.**

13 (a) CONSOLIDATION FOR CERTAIN BORROWERS.—
14 Section 455(g) of the Higher Education Act of 1965 (20
15 U.S.C. 1087e(g)) is amended—

16 (1) by striking “A borrower” and inserting the
17 following:

18 “(1) IN GENERAL.—A borrower”;

19 (2) by inserting “, and any loan described in
20 paragraph (2)” after “July 1, 2010”; and

21 (3) by adding at the end the following new
22 paragraph:

23 “(2) CONSOLIDATION OF PRIVATE EDUCATION
24 LOANS AS A FEDERAL DIRECT CONSOLIDATION LOAN
25 FOR CERTAIN BORROWERS.—

1 “(A) IN GENERAL.—Notwithstanding any
2 other provision of law, a borrower who meets
3 the eligibility criteria described in subparagraph
4 (B) shall be eligible to obtain a Federal Direct
5 Consolidation loan under this paragraph that—

6 “(i) shall include an eligible private
7 education loan; and

8 “(ii) may include a loan described in
9 section 428C(a)(4).

10 “(B) ELIGIBLE BORROWER.—A borrower
11 of an eligible private education loan is eligible
12 to obtain a Federal Direct Consolidation Loan
13 under this paragraph if the borrower—

14 “(i) was eligible to borrow a loan
15 under section 428H, a Federal Direct Un-
16 subsidized Stafford Loan, a loan under
17 section 428B, or a Federal Direct PLUS
18 loan for a period of enrollment at an insti-
19 tution of higher education, or, with respect
20 to a borrower who was enrolled at an insti-
21 tution of higher education on less than a
22 half-time basis, would have been eligible to
23 borrow such a loan for such period of en-
24 rollment if the borrower had been enrolled
25 on at least a half-time basis;

1 “(ii) borrowed at least one eligible pri-
2 vate education loan for a period of enroll-
3 ment described in clause (i); and

4 “(iii) has an average adjusted gross
5 income (based on the borrower’s adjusted
6 gross income from the 3 most recent cal-
7 endar years before application for consoli-
8 dation under this section) that is equal to
9 or less than the borrower’s total education
10 debt (determined by calculating the sum of
11 the borrower’s loans described in section
12 428C(a)(4) and eligible private education
13 loans) at the time of such application.

14 “(C) DEFINITION OF ELIGIBLE PRIVATE
15 EDUCATION LOAN.—For purposes of this para-
16 graph, the term ‘eligible private education loan’
17 means a private education loan (as such term
18 is defined in section 140 of the Truth in Lend-
19 ing Act (15 U.S.C. 1650)) made on or before
20 the date of enactment of the Student Loan
21 Fairness Act, including the amount of out-
22 standing principal, accrued interest, and related
23 fees and costs (as determined by the Secretary)
24 owed by a borrower on such a loan.

1 “(D) PURCHASE OF LOAN.—For each eli-
2 gible private education loan that a borrower is
3 consolidating under this paragraph, the Sec-
4 retary shall notify the holder that the Secretary
5 is purchasing the loan, and the Secretary shall
6 then purchase such loan, as described under
7 section 140A of the Truth in Lending Act.

8 “(E) TERMS AND RATE OF INTEREST.—A
9 Federal Direct Consolidation Loan made under
10 this paragraph shall have the same terms and
11 conditions as a Federal Direct Consolidation
12 loan under paragraph (1), except that the appli-
13 cable rate of interest for a Federal Direct Con-
14 solidation loan made under this paragraph shall
15 not exceed 3.4 percent.

16 “(F) NOTIFICATION OF ELIGIBLE BOR-
17 ROWERS.—The Secretary shall take such steps
18 as may be necessary to notify eligible borrowers
19 of the availability of consolidation under this
20 paragraph no later than 60 days after the date
21 of enactment of the Student Loan Fairness Act,
22 including notifying such borrowers of the dead-
23 line to apply for such a loan under subpara-
24 graph (G).

1 ble private education loan to the Secretary of Education,
2 upon request of the Secretary, for purposes of consoli-
3 dating such loan, as described under section 455(g)(2) of
4 the Higher Education Act of 1965.

5 “(b) DETERMINATION OF PRICE.—The price paid for
6 a private education loan under subsection (a) shall—

7 “(1) include the amount of outstanding prin-
8 cipal on the loan, the amount of accrued interest on
9 the loan, and any fees or other costs owed by the
10 consumer on the loan; and

11 “(2) be adjusted to account for the time value
12 of such amount.

13 “(c) DEFINITIONS.—For purposes of this section:

14 “(1) ELIGIBLE PRIVATE EDUCATION LOAN.—
15 The term ‘eligible private education loan’ means a
16 private education loan, as defined under section
17 140(a), made on or before the date of enactment of
18 the Student Loan Fairness Act.

19 “(2) PRIVATE EDUCATION LENDER.—The term
20 ‘private education lender’ has the meaning given
21 such term under section 140(a).”; and

22 (3) in the table of contents for such chapter—
23 (A) by redesignating the item relating to
24 section 140A as item 140B; and

1 (B) by inserting after the item relating to
2 section 140 the following:

“140A. Sale of private education loans to the Government.”.

3 (c) CONFORMING AMENDMENT.—Section
4 428C(a)(3)(B)(i)(V) of the Higher Education Act of 1965
5 (20 U.S.C. 1078–3(a)(3)(B)(i)(V)) is amended—

6 (1) by striking “or” at the end of item (bb);

7 (2) by striking the period at the end of item
8 (cc) and inserting “; or”; and

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

10 “(dd) for the purpose of
11 consolidating an eligible private
12 education loan under section
13 455(g)(2), whether such loan is
14 consolidated alone, with other eli-
15 gible private education loans, or
16 with loans described in para-
17 graph (4).”.

18 **SEC. 8. INTEREST-FREE DEFERMENT OF UNSUBSIDIZED**
19 **LOANS DURING PERIODS OF UNEMPLOY-**
20 **MENT.**

21 (a) FFEL UNSUBSIDIZED LOAN DEFERMENT.—

22 (1) Section 428H(e)(2) of the Higher Edu-
23 cation Act of 1965 (20 U.S.C. 1078–8(e)(2)) is
24 amended—

1 (A) in subparagraph (A), by inserting “Ex-
2 cept as provided in subparagraph (C),” before
3 “Interest on”; and

4 (B) by adding at the end the following:

5 “(C) Interest on loans made under this section
6 for which payments are deferred under clause (ii) of
7 section 428(b)(1)(M), for a period of deferment
8 granted to a borrower on or after the date of enact-
9 ment of the Student Loan Fairness Act, shall accrue
10 and be paid by the Secretary during any period dur-
11 ing which loans are so deferred, not in excess of 3
12 years.”.

13 (2) CONFORMING AMENDMENT.—Section
14 428(b)(1)(Y)(iii) of the Higher Education Act of
15 1965 (20 U.S.C. 1078(b)(1)(Y)(iii)) is amended by
16 inserting “(other than a deferment under clause (ii)
17 of such subparagraph on or after the date of enact-
18 ment of the Student Loan Fairness Act)” after “of
19 this paragraph”.

20 (b) DIRECT UNSUBSIDIZED LOAN DEFERMENT.—

21 Section 455(f)(1) of the Higher Education Act of 1965
22 (20 U.S.C. 1087e(f)(1)) is amended—

23 (1) in subparagraph (A)—

24 (A) by striking “or” at the end of clause

25 (i); and

1 (B) by adding at the end the following:

2 “(iii) a Federal Direct Unsubsidized
3 Stafford Loan, with respect to a period of
4 deferment described in subparagraph (B)
5 of paragraph (2) granted to a borrower on
6 or after the date of enactment of the Stu-
7 dent Loan Fairness Act; or”; and

8 (2) in subparagraph (B), by inserting “not de-
9 scribed in subparagraph (A)(iii)” after “Unsub-
10 sidized Stafford Loan”.

11 (c) TREATMENT OF CONSOLIDATION LOANS.—Sec-
12 tion 428C(b)(4)(C)(ii) of the Higher Education Act of
13 1965 (20 U.S.C. 1078–3(b)(4)(C)(ii)) is amended—

14 (1) by striking “or” at the end of subclause
15 (II);

16 (2) by redesignating subclause (III) as sub-
17 clause (IV);

18 (3) by inserting after subclause (II) the fol-
19 lowing:

20 “(III) by the Secretary, in the
21 case of a consolidation loan for which
22 the application is received on or after
23 the date of enactment of the Student
24 Loan Fairness Act, except that the
25 Secretary shall pay such interest only

1 for a period not in excess of 3 years
2 for which the borrower would be eligi-
3 ble for a deferral under clause (ii) of
4 section 428(b)(1)(M); or”; and

5 (4) in subclause (IV) (as so redesignated by
6 this subsection), by striking “(I) or (II)” and insert-
7 ing “(I), (II), or (III)”.

8 (d) INCOME-BASED REPAYMENT.—Section 493C(b)
9 of the Higher Education Act of 1965 (20 U.S.C.
10 10983(b)) is amended—

11 (1) in paragraph (3)—

12 (A) in subparagraph (A), by striking
13 “and” after the semicolon;

14 (B) by redesignating subparagraph (B) as
15 subparagraph (C);

16 (C) by inserting after subparagraph (A)
17 the following:

18 “(B) shall, on subsidized and unsubsidized
19 loans, be paid by the Secretary for a period of
20 not more than 3 years during which the bor-
21 rower is eligible for a deferment due to unem-
22 ployment described in section 455(f)(2)(B) (re-
23 gardless of whether the student is in such a
24 deferment), except that—

1 “(i) this subparagraph shall only
2 apply to periods during which the borrower
3 is eligible for a such deferment on or after
4 the date of enactment of the Student Loan
5 Fairness Act; and

6 “(ii) in the case of a subsidized loan,
7 such period shall not include any period
8 described in subparagraph (A) or any pe-
9 riod during which the borrower is in
10 deferment due to an economic hardship de-
11 scribed in section 435(o); and”;

12 (D) in subparagraph (C) (as so redesign-
13 ated by paragraph (2))—

14 (i) in clause (i), by striking “subpara-
15 graph (A)” and inserting “subparagraphs
16 (A) and (B)”;

17 (ii) in clause (ii), by inserting “, sub-
18 ject to subparagraph (B),” after “unsub-
19 sidized loan”;

20 (E) by striking “and” at the end of para-
21 graph (8);

22 (F) by striking the period at the end of
23 paragraph (9) and inserting a semicolon; and

24 (G) by adding at the end the following new
25 paragraph:

1 the Revised Pay As You Earn repayment plan described
2 in sections 685.208 and 685.209 of title 34, Code of Fed-
3 eral Regulations, as amended the final regulations pub-
4 lished by the Department of Education in the Federal
5 Register on October 30, 2015 (80 Fed. Reg. 67203 et
6 seq.), shall not be included in the gross income of the bor-
7 rower for purposes of the Internal Revenue Code of 1986.

○