

114TH CONGRESS
2D SESSION

H. R. 6197

To amend the Higher Education Act of 1965 to provide loan deferment and loan cancellation for founders and employees of small business start-ups, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 2016

Ms. VELÁZQUEZ introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committees on Financial Services, Ways and Means, and Small Business, 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 amend the Higher Education Act of 1965 to provide loan deferment and loan cancellation for founders and employees of small business start-ups, 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 “Supporting America’s
5 Young Entrepreneurs Act of 2016”.

1 **SEC. 2. SMALL BUSINESS START-UP EMPLOYEE LOAN**
 2 **DEFERMENT AND CANCELLATION.**

3 (a) DEFERMENT.—Section 455(f) of the Higher Edu-
 4 cation Act of 1965 (20 U.S.C. 1087e(f)) is amended—

5 (1) in paragraph (1), by striking “A borrower
 6 of a loan” and inserting “Except as provided in
 7 paragraph (5), a borrower of a loan”; and

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

9 “(5) NO INTEREST DEFERMENT ELIGIBILITY
 10 FOR FOUNDERS OF SMALL BUSINESS START-UPS.—
 11 A borrower of a loan made under this part shall be
 12 eligible for a deferment, during which periodic in-
 13 stallments of principal and interest need not be paid,
 14 during any period not in excess of 3 years during
 15 which the borrower is employed as a founder of a
 16 small business start-up (as defined in subsection
 17 (r)(3)).”.

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

21 “(r) LOAN CANCELLATION FOR CERTAIN SMALL
 22 BUSINESS START-UP EMPLOYEES.—

23 “(1) FOUNDER OF A SMALL BUSINESS START-
 24 UP IN A DISTRESSED AREA.—

25 “(A) IN GENERAL.—The Secretary shall
 26 cancel \$20,000 of the balance of interest and

1 principal due, in accordance with subparagraph
2 (B), on any eligible Federal Direct Loan not in
3 default for a borrower who—

4 “(i) has made 24 monthly payments
5 on the eligible Federal Direct Loan after
6 the date of the enactment of this sub-
7 section pursuant to any one or a combina-
8 tion of payments under a repayment plan
9 under subsection (d)(1) or (g);

10 “(ii) has been employed as a founder
11 of a small business start-up in a distressed
12 area during the period in which the bor-
13 rower makes each of the 24 payments;

14 “(iii) is employed as a founder of a
15 small business start-up in a distressed area
16 at the time of such cancellation; and

17 “(iv) is approved for loan cancellation
18 by the young entrepreneurs business center
19 under section 47 of the Small Business Act
20 (16 U.S.C. 631 et seq.).

21 “(B) LOAN CANCELLATION AMOUNT.—

22 “(i) IN GENERAL.—After the conclu-
23 sion of the employment period described in
24 subparagraph (A), the Secretary shall can-
25 cel the obligation to repay \$20,000 of the

1 balance of interest and principal due as of
2 the time of such cancellation, on the eligi-
3 ble Federal Direct Loans made to the bor-
4 rower under this part.

5 “(ii) LIMITATION.—A borrower may
6 not receive an aggregate amount of more
7 than \$20,000 under this subparagraph.

8 “(C) INELIGIBILITY FOR DOUBLE BENE-
9 FITS.—No borrower may, for the same service,
10 receive a reduction of loan obligations under
11 both this paragraph and—

12 “(i) paragraph (2);

13 “(ii) subsection (m); or

14 “(iii) section 428J, 428K, 428L, or
15 460.

16 “(2) EMPLOYEE OF A SMALL BUSINESS START-
17 UP.—

18 “(A) IN GENERAL.—The Secretary shall
19 cancel \$3,000 of the balance of interest and
20 principal due, in accordance with subparagraph
21 (B), on any eligible Federal Direct Loan not in
22 default for a borrower who—

23 “(i) has made 12 monthly payments
24 on the eligible Federal Direct Loan after
25 the date of the enactment of this sub-

1 section pursuant to any one or a combina-
2 tion of payments under a repayment plan
3 under subsection (d)(1) or (g);

4 “(ii) has been employed in a small
5 business start-up job during the period in
6 which the borrower makes each of the 12
7 payments; and

8 “(iii) is employed in a small business
9 start-up job at the time of such cancella-
10 tion.

11 “(B) LOAN CANCELLATION AMOUNT.—

12 “(i) IN GENERAL.—After the conclu-
13 sion of the employment period described in
14 subparagraph (A), the Secretary shall can-
15 cel the obligation to repay \$3,000 of the
16 balance of interest and principal due as of
17 the time of such cancellation, on the eligi-
18 ble Federal Direct Loans made to the bor-
19 rower under this part.

20 “(ii) LIMITATION.—A borrower may
21 not receive an aggregate amount of more
22 than \$15,000 under this subparagraph.

23 “(C) INELIGIBILITY FOR DOUBLE BENE-
24 FITS.—No borrower may, for the same service,

1 receive a reduction of loan obligations under
2 both this paragraph and—

3 “(i) paragraph (1);

4 “(ii) subsection (m); or

5 “(iii) section 428J, 428K, 428L, or
6 460.

7 “(3) DEFINITIONS.—In this subsection:

8 “(A) DISTRESSED AREA.—The term ‘dis-
9 tressed area’ means an area identified under
10 section 47 of the Small Business Act (16
11 U.S.C. 631 et seq.).

12 “(B) ELIGIBLE FEDERAL DIRECT LOAN.—
13 The term ‘eligible Federal Direct Loan’ means
14 a Federal Direct Stafford Loan, Federal Direct
15 PLUS Loan, or Federal Direct Unsubsidized
16 Stafford Loan, or a Federal Direct Consolida-
17 tion Loan.

18 “(C) FOUNDER.—The term ‘founder’ shall
19 have the meaning given such term by the Ad-
20 ministrator of the Small Business Administra-
21 tion under this paragraph.

22 “(D) SMALL BUSINESS START-UP.—The
23 term ‘small business start-up’ means a business
24 that is certified by the young entrepreneurs

1 business center under section 47 of the Small
2 Business Act (16 U.S.C. 631 et seq.).

3 “(E) SMALL BUSINESS START-UP JOB.—
4 The term ‘small business start-up job’ means a
5 full-time job as an employee of a small business
6 start-up.”.

7 **SEC. 3. LOAN REFINANCING.**

8 (a) IN GENERAL.—Part D of title IV of the Higher
9 Education Act of 1965 is amended by adding at the end
10 the following:

11 **“SEC. 460. FEDERAL DIRECT REFINANCED PRIVATE LOAN**
12 **PROGRAM.**

13 “(a) DEFINITIONS.—In this section:

14 “(1) ELIGIBLE PRIVATE EDUCATION LOAN.—
15 The term ‘eligible private education loan’ means a
16 private education loan, as defined in section 140(a)
17 of the Truth in Lending Act (15 U.S.C. 1650(a)),
18 that was for the borrower’s own postsecondary edu-
19 cational expenses for an eligible program at an insti-
20 tution of higher education participating in the loan
21 program under this part, as of the date that the
22 loan was disbursed.

23 “(2) FEDERAL DIRECT REFINANCED PRIVATE
24 LOAN.—The term ‘Federal Direct Refinanced Pri-

1 vate Loan’ means a loan issued under subsection
2 (b)(1).

3 “(3) PRIVATE EDUCATIONAL LENDER.—The
4 term ‘private educational lender’ has the meaning
5 given the term in section 140(a) of the Truth in
6 Lending Act (15 U.S.C. 1650(a)).

7 “(4) QUALIFIED BORROWER.—The term ‘quali-
8 fied borrower’ means an individual who—

9 “(A) has an eligible private education loan;

10 “(B) has been current on payments on the
11 eligible private education loan for the 6 months
12 prior to the date of the qualified borrower’s ap-
13 plication for refinancing under this section, and
14 is in good standing on the loan at the time of
15 such application;

16 “(C) is not in default on the eligible pri-
17 vate education loan or on any loan made, in-
18 sured, or guaranteed under this part or part B
19 or E; and

20 “(D) meets the eligibility requirements de-
21 scribed in subsection (b)(2).

22 “(b) PROGRAM AUTHORIZED.—

23 “(1) IN GENERAL.—The Secretary, in consulta-
24 tion with the Secretary of the Treasury, shall carry
25 out a program under which the Secretary, upon ap-

1 plication by a qualified borrower who has an eligible
2 private education loan, shall issue such borrower a
3 loan under this part in accordance with the fol-
4 lowing:

5 “(A) The loan issued under this program
6 shall be in an amount equal to the sum of the
7 unpaid principal, accrued unpaid interest, and
8 late charges of the private education loan.

9 “(B) The Secretary shall pay the proceeds
10 of the loan issued under this program to the
11 private educational lender of the private edu-
12 cation loan, in order to discharge the qualified
13 borrower from any remaining obligation to the
14 private educational lender with respect to the
15 original private education loan.

16 “(C) The Secretary shall require that the
17 qualified borrower undergo loan counseling that
18 provides all of the information and counseling
19 required under clauses (i) through (viii) of sec-
20 tion 485(b)(1)(A) before the loan is refinanced
21 in accordance with this section, and before the
22 proceeds of such loan are paid to the private
23 educational lender.

24 “(D) The Secretary shall issue the loan as
25 a Federal Direct Refinanced Private Loan,

1 which shall have the same terms, conditions,
2 and benefits as a Federal Direct Subsidized
3 Loan, except as otherwise provided in this sec-
4 tion.

5 “(2) BORROWER ELIGIBILITY.—Not later than
6 180 days after the date of the enactment of this sec-
7 tion, the Secretary, in consultation with the Sec-
8 retary of the Treasury and the Director of the Bu-
9 reau of Consumer Financial Protection, shall estab-
10 lish eligibility requirements—

11 “(A) to ensure eligibility only for qualified
12 borrowers in good standing;

13 “(B) to minimize inequities between Fed-
14 eral Direct Refinanced Private Loans and other
15 Federal student loans;

16 “(C) to preclude windfall profits for pri-
17 vate educational lenders; and

18 “(D) to ensure full access to the program
19 authorized in this subsection for borrowers with
20 private loans who otherwise meet the criteria
21 established in accordance with subparagraphs
22 (A) and (B).

23 “(c) INTEREST RATE.—

24 “(1) IN GENERAL.—The interest rate for a
25 Federal Direct Refinanced Private Loan is, in the

1 case a private education loan originally issued for
2 undergraduate, graduate, or professional degree
3 postsecondary educational expenses, a rate equal to
4 the rate for Federal Direct Subsidized Stafford
5 Loans issued to undergraduate students for the 12-
6 month period beginning on July 1, 2016, and ending
7 on June 30, 2017.

8 “(2) FIXED RATE.—The applicable rate of in-
9 terest determined under this subsection for a Fed-
10 eral Direct Refinanced Private Loan shall be fixed
11 for the period of the loan.

12 “(d) TREATMENT OF LOANS.—Nothing in this sec-
13 tion shall affect the ability of a borrower to qualify for
14 loan repayment under a repayment plan under subsection
15 (d)(1) or (g) of section 455.”.

16 (b) NOTICE OF POTENTIAL ELIGIBILITY.—Section
17 128(e) of the Truth in Lending Act (15 U.S.C. 1638(e))
18 is amended by adding at the end the following new para-
19 graph:

20 “(12) NOTICE REQUIRED ALONG WITH BILLING
21 STATEMENTS.—Along with each billing statement
22 sent to the borrower, the private educational lender
23 shall include a statement informing the borrower
24 that the borrower may be eligible for the Federal Di-
25 rect Refinanced Private Loan program established

1 under section 460 of the Higher Education Act of
2 1965.”.

3 **SEC. 4. YOUNG ENTREPRENEURS BUSINESS CENTER.**

4 The Small Business Act (15 U.S.C. 631 et seq.) is
5 amended—

6 (1) by redesignating section 47 as section 48;

7 and

8 (2) by inserting after section 46 the following:

9 **“SEC. 47. YOUNG ENTREPRENEURS BUSINESS CENTER.**

10 “(a) ESTABLISHMENT.—There is established within
11 the Administration a young entrepreneurs business center
12 that shall, for purposes of loan cancellation for start-up
13 employees established under subsection (r) of section 455
14 of the Higher Education Act of 1965 (20 U.S.C. 1087e)—

15 “(1) certify small business start-ups under sub-
16 section (b);

17 “(2) identify distressed areas under subsection
18 (c); and

19 “(3) approve loan cancellation for founders of
20 small business start-ups in distressed areas under
21 subsection (d).

22 “(b) CERTIFICATION.—

23 “(1) APPLICATION.—To be certified by the
24 young entrepreneurs business center, a small busi-

1 ness start-up shall submit an application to the Ad-
2 ministrator that includes—

3 “(A) a 5-year business plan for such small
4 business start-up; and

5 “(B) the number of employees the small
6 business start-up intends to employ on a yearly
7 basis.

8 “(2) REQUIREMENTS.—The young entre-
9 preneurs business center may not certify a small
10 business start-up unless such small business start-
11 up, on the date the application is submitted under
12 paragraph (1)—

13 “(A) has a founder who is a recent grad-
14 uate of a 4-year institution of higher education;

15 “(B) is a start-up for which at least 50
16 percent of the employees of the start-up are re-
17 cent graduates of such an institution.

18 “(c) DISTRESSED AREA.—

19 “(1) IN GENERAL.—Not less than once every 3
20 years after the date of the enactment of this section,
21 the young entrepreneurs business center shall iden-
22 tify and make publically available on the website of
23 the Administration a list of distressed areas.

24 “(2) REQUIREMENTS.—A distressed area iden-
25 tified under paragraph (1) shall be a county or

1 equivalent division of local government of a State in
2 which the small business concern is located that—

3 “(A) has, for the most recent 24-month pe-
4 riod for which statistics are available—

5 “(i) a per capita income of 80 percent
6 or less of the national average; or

7 “(ii) an unemployment rate that is 1
8 percent greater than the national average;
9 and

10 “(B) the young entrepreneurs business
11 center determines would economically benefit
12 from having small business start-ups estab-
13 lished in such area.

14 “(d) LOAN CANCELLATION FOR FOUNDERS OF A
15 SMALL BUSINESS START-UP IN A DISTRESSED AREA.—

16 For purposes of loan cancellation under subsection (r)(1)
17 of section 455 of the Higher Education Act of 1965 (20
18 U.S.C. 1087e) the young entrepreneurs business center
19 shall approve a founder of a small business start-up in
20 a distressed area if such founder—

21 “(1) established a small business start-up
22 that—

23 “(A) on the date such small business start-
24 up was established, was located in a distressed
25 area identified by the young entrepreneurs busi-

1 ness center under subsection (c) not more than
2 3 years before such date of establishment;

3 “(B) was certified under subsection (b);
4 and

5 “(C) on the date of approval under this
6 subsection, has been operating continuously for
7 not less than 5 years; and

8 “(2) was employed as a founder of a small busi-
9 ness start-up in a distressed area during the period
10 in which such founder made the 24 payments de-
11 scribed in subsection (r)(1)(A) of such section 455.

12 “(e) DEFINITIONS.—In this section:

13 “(1) INSTITUTION OF HIGHER EDUCATION.—
14 The term ‘institution of higher education’ has the
15 meaning given such term in section 102 of the High-
16 er Education Act (20 U.S.C. 1002).

17 “(2) SMALL BUSINESS START-UP.—The term
18 ‘small business start-up’ means a small business
19 concern that—

20 “(A) is not yet in existence; or

21 “(B) has been in existence for not more
22 than 3 years.”.

1 **SEC. 5. TREATMENT OF LOAN CANCELLATION.**

2 (a) IN GENERAL.—Section 108(f) of the Internal
3 Revenue Code of 1986 is amended by adding at the end
4 the following new paragraph:

5 “(5) CANCELLATION OF CERTAIN FEDERAL
6 STUDENT LOANS.—In the case of an individual,
7 gross income shall not include the discharge (in
8 whole or in part) of any student loan pursuant to
9 the cancellation (in whole or in part) of such loan
10 by the Secretary of Education under subsection (r)
11 of section 455 of the Higher Education Act of 1965
12 (20 U.S.C. 1087e).”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to discharges of indebtedness oc-
15 ccurring after the date of the enactment of this Act.

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