To establish student loan borrowers’ rights to basic consumer protections, reasonable and flexible repayment options, access to earned credentials, and effective loan cancellation in exchange for public service, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 28, 2017

Ms. WILSON of Florida introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committees on Ways and Means, the Judiciary, and Oversight and Government Reform, 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 establish student loan borrowers’ rights to basic consumer protections, reasonable and flexible repayment options, access to earned credentials, and effective loan cancellation in exchange for public service, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Student Loan Borrowers’ Bill of Rights Act of 2017”.
TITLE I—BORROWERS’ RIGHT TO BASIC CONSUMER PROTECTIONS

SEC. 101. DISCHARGEABILITY OF STUDENT LOANS IN BANKRUPTCY CASES.

Section 523(a) of title 11 of the United States Code is amended—

(1) by striking paragraph (8); and

(2) by redesignating paragraphs (9) through (19) as paragraphs (8) through (18).

SEC. 102. REINSTATEMENT OF THE 6-YEAR STATUTE OF LIMITATIONS FOR STUDENT LOANS.

Subsection (a) of section 484A of the Higher Education Act of 1965 (20 U.S.C. 1091a(a)) is amended to read as follows:

“(a) STATUTE OF LIMITATIONS.—Notwithstanding any Federal or State statutory, regulatory, or administrative limitation on the period within which debts may be enforced—

“(1) an institution that receives funds under this title may file a suit or initiate or take another action for collection of a refund due from a student on a grant made, or work assistance awarded, under this title, during the 6-year period beginning on the day after the refund first became due (exclusive of
the period during which the State statute of limitations otherwise applicable to a suit under this paragraph would be tolled under State law);

“(2) a guaranty agency that has an agreement with the Secretary under section 428(c) may file a suit or initiate or take another action for collection of the amount due from a borrower on a loan made under part B during the 6-year period beginning on the day after such guaranty agency reimburses the previous holder of the loan for its loss on account of the default of the borrower (exclusive of the period during which the State statute of limitations otherwise applicable to a suit under this paragraph would be tolled under State law);

“(3) an institution that has an agreement with the Secretary pursuant to section 487 may file a suit or initiate or take another action for collection of the amount due from a borrower on a loan made under part D or E after the default of the borrower on such loan during the 6-year period beginning on the day after the date of the default of the borrower with respect to such amount (exclusive of the period during which the State statute of limitations otherwise applicable to a suit under this paragraph would be tolled under State law); or
“(4) the Secretary, the Attorney General, or the administrative head of another Federal agency, as the case may be, may file a suit or initiate or take another action for collection of a refund due from a student on a grant made under this title, or for the repayment of the amount due from a borrower on a loan made under this title that has been assigned to the Secretary under this title, during the 6-year period beginning on the day after the refund or the amount first became due.”.

SEC. 103. PROHIBITION OF COLLECTION OF STUDENT LOANS THROUGH CERTAIN OFFSETS OR THROUGH WAGE GARNISHMENT.

(a) Prohibition on Offset of Social Security Benefits.—Section 3716(c)(3)(A) of title 31, United States Code, is amended—

(1) in clause (i), by striking “except as provided in clause (ii)” and inserting “except as provided in clauses (ii) and (iii)”;

(2) by adding at the end the following new clause:

“(iii) Notwithstanding clause (i), any payments due to an individual under Federal benefits programs cited under clause (i) shall not be subject to offset under this subsection if the offset is for payments certified by the
Department of Education under a program administered by the Secretary of Education under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).”.

(b) Prohibition on Offset of Tax Refund.—Section 3720A(a) of title 31, United States Code, is amended—

(1) by striking “Any Federal agency” and inserting “(1) Except as provided in paragraph (2), any Federal agency”; and

(2) by adding at the end the following new paragraph:

“(2) Any past-due legally enforceable debt owed by an individual to the Department of Education under a program administered by the Secretary of Education under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) shall not be subject to notification under paragraph (1), and any refund of Federal taxes paid by the individual shall not be subject to reduction under subsection (c) for such debt.”.

(c) Prohibition on Wage Garnishment.—Section 3720D(a) of title 31, United States Code, is amended—

(1) by striking “Notwithstanding” and inserting: “(1) Except as provided in paragraph (2) and notwithstanding”; and
(2) by adding at the end the following new paragraph:

“(2) Any delinquent nontax debt owed by an individual to the Department of Education under a program administered by the Secretary of Education under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) shall not be subject to collection under this section through garnishment of disposable pay of the individual.”.

**TITLE II—BORROWER’S RIGHT TO REASONABLE AND FLEXIBLE REPAYMENT OPTIONS**

**SEC. 201. EXCLUSION FROM GROSS INCOME FOR DISCHARGE OF STUDENT LOAN INDEBTEDNESS.**

(a) In General.—Section 108(f)(1) of the Internal Revenue Code of 1986 is amended by striking “if such discharge” and all that follows and inserting a period.

(b) Student Loans.—Section 108(f)(2) of such Code is amended by striking “made by—” and all that follows and inserting the following: “. Such term includes indebtedness used to refinance indebtedness which qualifies as a student loan under the preceding sentence.”.

(c) Conforming Amendments.—Section 108(f) of such Code is amended by striking paragraphs (3) and (4).
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(d) Effective Date.—The amendments made by this section shall apply to discharges of indebtedness after the date of the enactment of this Act.

SEC. 202. 529 PLAN DISTRIBUTION FOR STUDENT LOAN PAYMENTS.

(a) In General.—Section 529(e)(3)(A) is amended by striking clause (iii) and inserting the following new clause:

“(iii) interest or principal paid with respect to a qualified education loan (as defined in section 221) with respect to a designated beneficiary.”

(b) Conforming Amendments.—

(1) Section 529(e)(3)(A) of such Code is amended by striking the second sentence.

(2) Section 72(t)(7)(A) of such Code is amended by inserting “determined without regard to subparagraph (A)(iii) thereof” after “section 529(e)(3)”.

(3) Section 530(b)(2)(A)(i) of such Code is amended by inserting “determined without regard to subparagraph (A)(iii) thereof” after “section 529(e)(3)”.

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(c) Effective Date.—The amendments made by this section shall apply to distributions made after the date of the enactment of this Act.

SEC. 203. INCLUSION OF PARENT PLUS LOANS IN REPAYMENT PROGRAMS.

(a) Income Contingent Repayment Plan.—Section 455(d)(1)(D) of the Higher Education Act of 1965 (20 U.S.C. 1087e(d)(1)(D)) is amended by striking ‘‘, except that the plan described in this subparagraph shall not be available to the borrower of a Federal Direct PLUS loan made on behalf of a dependent student;’’.

(b) Income-Based Repayment.—

(1) Part B Loans.—

(A) Repayment Plans.—Section 428(b)(9)(A)(v) of the Higher Education Act of 1965 (20 U.S.C. 1078(b)(9)(A)(v)) is amended by striking ‘‘, except that the plan described in this clause shall not be available to a borrower for a loan under section 428B made on behalf of a dependent student or for a consolidation loan under section 428C, if the proceeds of such loan were used to discharge the liability of a loan under section 428B made on behalf of a dependent student’’.
(B) CONSOLIDATION LOANS.—Section 428C(c)(3)(C) of such Act (20 U.S.C. 1078–3(c)(3)(C)) is amended—

(i) in subparagraph (A), by inserting “and” at the end;

(ii) in subparagraph (B), by striking “and” at the end and inserting a period;

and

(iii) by striking subparagraph (C).

(2) PART D LOANS.—Section 455(d)(1)(E) of such Act (20 U.S.C. 1087e(d)(1)(D)) is amended by striking “, except that the plan described in this subparagraph shall not be available to the borrower of a Federal Direct PLUS Loan made on behalf of a dependent student or a Federal Direct Consolidation Loan, if the proceeds of such loan were used to discharge the liability on such Federal Direct PLUS Loan or a loan under section 428B made on behalf of a dependent student”.

(3) IBR.—Section 493C of such Act (20 U.S.C. 1098e) is amended—

(A) in subsection (a)—

(i) by striking “this section” and all that follows through “hardship” and in-
serting “In this section, the term ‘partial financial hardship’”; and

(ii) by striking, “(other than an excepted PLUS loan or excepted consolidation loan)”;

(B) in subsection (b)—

(i) in paragraph (1), by striking “(other than an excepted PLUS loan or excepted consolidation loan)”;

(ii) in paragraph (6)(A), by striking “(other than an excepted PLUS loan or excepted consolidation loan)”; and

(iii) in paragraph (7), by striking “other than a loan under section 428B or a Federal Direct PLUS Loan”; and

(C) in subsection (c), by striking “(other than an excepted PLUS loan or excepted consolidation loan),”.

(c) LOAN FORGIVENESS FOR SERVICE IN AREAS OF NATIONAL NEED.—Section 428K(a)(2) of such Act (20 U.S.C. 1078–11(a)(2)) is amended—

(1) in subparagraph (A), by striking “(other than an excepted PLUS loan or an excepted consolidation loan (as such terms are defined in section 493C(a)))”; and
(2) in subparagraph (B), by striking “(other than an excepted PLUS loan or an excepted consolidation loan)”.

(d) Other Repayment Plans.—Any plan for the repayment of loans made under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.), which is finalized by the Secretary of Education on or after the date of enactment of this Act, shall include the repayment of a loan under section 428B of the Higher Education Act of 1965, or a Federal Direct PLUS Loan under part D of title IV of such Act, that is made, insured, or guaranteed on behalf of a dependent student.

SEC. 204. DETERMINATION OF ADVERSE CREDIT HISTORY.

Section 428B(a) of the Higher Education Act of 1965 (20 U.S.C. 1078–2(a)) is amended in paragraph (1)(A), by striking “regulations promulgated by the Secretary” and inserting “section 685.200(c) of title 34, Code of Federal Regulations (as in effect on September 30, 2011)”.

TITLE III—BORROWERS’ RIGHT TO A MEANINGFUL DEGREE

SEC. 301. PROHIBITION ON SUSPENSIONS OF PROFESSIONAL LICENSES FOR LOAN DEFAULT.

No evidence of an individual’s default on the repayment of a loan made, insured, or guaranteed under title
IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) may be admitted into evidence in a Federal or State proceeding involving the individual’s professional or vocational license.

SEC. 302. PROHIBITION ON LOSS OF ACCESS TO TRANSCRIPTS FOR LOAN DEFAULT.

Section 487(a) of the Higher Education Act of 1965 (20 U.S.C. 1094(a)) (as amended by section 301) is further amended by adding at the end the following new paragraph:

“(30)(A) The institution will not prohibit a student from accessing the student’s transcripts, degree scrolls, or other certifications of coursework or educational attainments at the institution because the student is in default on the repayment of a loan made, insured, or guaranteed under this title.

“(B) For purposes of this paragraph, the term ‘student’ includes former students.”.
TITLE IV—RIGHT TO EFFECTIVE
LOAN CANCELLATION FOR
BORROWERS ENGAGED IN
PUBLIC SERVICE CAREERS

SEC. 401. EXTENSION OF LOAN CANCELLATION FOR BORROWERS EMPLOYED IN PUBLIC SERVICE JOBS FOR 5 YEARS.

Section 455(m) of the Higher Education Act of 1965 (20 U.S.C. 1087e) is amended by adding at the end the following new paragraph:

“(5) LOAN CANCELLATION AFTER 5 YEARS.—
The Secretary shall also cancel 50 percent of the balance of interest and principal due on any eligible Federal Direct Loan not in default for borrowers employed in a public service job for 5 years during the repayment of such loans—

“(A) by applying paragraph (1)(A)—

“(i) by substituting ‘60’ for ‘120’ each place it appears; and

“(ii) by substituting ‘October 1, 2007’ for ‘October 1, 2017’; and

“(B) by applying paragraph (2), by substituting ‘50 percent of the balance’ with ‘the balance’. ”.

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