To amend the Higher Education Act of 1965 to establish a simplified income-driven repayment plan, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 18, 2017

Mr. King (for himself, Mr. Burr, Mr. Portman, Mr. Manchin, Mr. Warner, Mr. Wicker, Mrs. Shaheen, and Ms. Collins) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the Higher Education Act of 1965 to establish a simplified income-driven repayment plan, 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 “Repay Act of 2017”.

SEC. 2. SIMPLIFIED INCOME-DRIVEN REPAYMENT PLAN.

Part G of title IV of the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.) is amended by adding at the end the following:
"(a) DEFINITIONS.—In this section:

"(1) COVERED FEDERAL DIRECT LOAN.—The term ‘covered Federal Direct Loan’ means a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct Consolidation Loan (other than a Federal Direct Consolidation Loan whose proceeds were used to discharge the liability of a Federal Direct PLUS loan made on behalf of a dependent student or a loan under section 428B made on behalf of a dependent student), or a Federal Direct PLUS Loan (other than a Federal Direct PLUS Loan made on behalf of a dependent student) made under part D.

"(2) DISCRETIONARY INCOME.—The term ‘discretionary income’ means the amount by which a borrower’s (and the borrower’s spouse, if applicable) annual adjusted gross income exceeds 150 percent of the poverty line applicable to the borrower’s family size.

"(3) DISCRETIONARY INCOME BEND POINT.—The term ‘discretionary income bend point’ means $25,000, adjusted annually for inflation as determined by the Consumer Price Index (as such term
is defined in section 478(f)) for the previous calendar year.

“(4) INCOME-DRIVEN CALCULATION.—

“(A) IN GENERAL.—The term ‘income-driven calculation’, when used with respect to a borrower, means the annual amount due on the total amount of covered Federal Direct Loans, which annual amount is equivalent to—

“(i) 10 percent of the borrower’s discretionary income that is less than the discretionary income bend point, plus

“(ii) 15 percent of the borrower’s discretionary income that is equal to or greater than the discretionary income bend point.

“(B) ANNUAL CALCULATION.—The calculation under subparagraph (A) shall be determined on an annual basis for the duration of the repayment period described in subsection (b).

“(5) NEW BORROWER.—The term ‘new borrower’ means a borrower who—

“(A) as of July 1, 2017, has no outstanding balance on a student loan made, insured, or guaranteed under part B or D; or
“(B) has no outstanding balance on a student loan made, insured, or guaranteed under part B or D on the date the borrower receives a loan made under part D on or after July 1, 2017.

“(b) Simplified Income-Driven Repayment Plan Authorized.—

“(1) In general.—The Secretary shall carry out a simplified income-driven repayment program for new borrowers that meets the following requirements:

“(A) A new borrower of any covered Federal Direct Loan may elect to have the borrower’s aggregate monthly payment for all such loans equal to the income-driven calculation, divided by 12.

“(B) The holder of such a loan shall apply the borrower’s monthly payment under this subsection first toward interest due on the loan, next toward any fees due on the loan, and then toward the principal of the loan.

“(C) Any interest due and not paid under subparagraph (B)—

“(i) shall, on Federal Direct Stafford Loans, be paid by the Secretary for a pe-
period of not more than 3 years after the date of the borrower's election under subparagraph (A), except that such period shall not include any period during which the borrower is in deferment due to an economic hardship described in section 435(o); and

“(ii) shall be capitalized—

“(I) in the case of a Federal Direct Stafford Loan, subject to clause (i)—

“(aa) at the time the borrower ends the election to make simplified income-driven repayment under this subsection; or

“(bb) at the time the borrower’s monthly payment calculation under subparagraph (A) exceeds the monthly payment calculation under the fixed repayment plan, based on a 10-year repayment period, when the borrower first made the election under subparagraph (A); and
“(II) in the case of a Federal Direct Unsubsidized Stafford Loan—

“(aa) at the time the borrower ends the election to make simplified income-driven repayment under this subsection; or

“(bb) at the time the borrower’s monthly payment calculation under subparagraph (A) exceeds the monthly payment calculation under the fixed repayment plan, based on a 10-year repayment period, when the borrower first made the election under subparagraph (A).

“(D) Any principal due and not paid under subparagraph (B) shall be deferred.

“(E) The amount of time a new borrower shall make monthly payments under subparagraph (A) may exceed 10 years.

“(F) If the borrower no longer wishes to continue the election under this subsection, then—

“(i) the maximum monthly payment required to be paid for all covered Federal
Direct Loans shall be equal to the monthly amount calculated under section 428(b)(9)(A)(i) or 455(d)(1)(A), based on a 10-year repayment period, when the borrower first made the election described in this subsection; and

“(ii) the amount of time the borrower is permitted to repay such loans may exceed 10 years.

“(G) The Secretary shall cancel the outstanding balance of principal and interest due for a new borrower whose balance of principal of covered Federal Direct Loans did not exceed $57,500 on the date the borrower’s repayment period began, or whose balance of principal of covered Federal Direct Loans did not exceed the maximum aggregate amount of loans an independent undergraduate student could borrow, pursuant to section 428H(d)(4)(B), on the date the borrower’s final covered Federal Direct Loan was disbursed, whichever amount is greater, if the borrower—

“(i) at any time, elected to participate under subparagraph (A); and

“(ii) for 20 years—
“(I) made monthly payments pursuant to subparagraph (A); or

“(II) was in deferment due to an economic hardship described in section 435(o).

“(H) The Secretary shall cancel the outstanding balance of principal and interest due for a new borrower whose balance of principal of covered Federal Direct Loans exceeded $57,500 on the date the borrower’s repayment period began, or whose balance of principal of covered Federal Direct Loans exceeded the maximum aggregate amount of loans an independent undergraduate student could borrow, pursuant to section 428H(d)(4)(B), on the date the borrower’s final covered Federal Direct Loan was disbursed, whichever amount is greater, if the borrower—

“(i) at any time, elected to participate under subparagraph (A); and

“(ii) for 25 years—

“(I) made monthly payments pursuant to subparagraph (A); or
“(II) was in deferment due to an economic hardship described in section 435(o).

“(I) A borrower may elect to discontinue repayment pursuant to this subsection, at any time, and enter into repayment pursuant to section 455(d)(2)(A).

“(2) MONTHLY PAYMENTS.—Only monthly payments made pursuant to paragraph (1)(A) shall be considered eligible payments toward the forgiveness of outstanding loan principal and interest under subparagraphs (G) and (H) of paragraph (1).

“(c) ELIGIBILITY DETERMINATIONS.—The Secretary shall annually determine a borrower’s eligibility for the simplified income-driven repayment plan under this section through—

“(1) verification of a borrower’s annual adjusted gross income;

“(2) the annual amount due on the total amount of covered Federal Direct Loans; and

“(3) such other procedures as are necessary to effectively implement the simplified income-driven repayment plan under this section.

“(d) SPECIAL RULE FOR MARRIED BORROWERS FILING SEPARATELY.—In the case of a married borrower who
files a separate Federal income tax return, the Secretary shall calculate the borrower’s income-driven calculation on the basis of the borrower’s total amount due on covered Federal Direct Loans and the married couple’s combined adjusted gross income. In the case of a married couple in which both individuals repay their loans under this section, the Secretary shall calculate each borrower’s income-driven calculation on the basis of each borrower’s total amount due on covered Federal Direct Loans and the married couple’s combined adjusted gross income divided by 2.

“(e) Annual Income Verification.—

“(1) In general.—A borrower who elects to participate in the simplified income-driven repayment plan under this section shall submit to the Secretary, on an annual basis, verification of the borrower’s annual adjusted gross income.

“(2) Consequence of failure to submit.—With respect to a borrower who fails to submit to the Secretary verification of the borrower’s annual adjusted gross income as required under paragraph (1), any monthly payments made during the period the borrower is in violation of the requirement of paragraph (1) shall not be considered eligible payments toward the forgiveness of outstanding loan
principal and interest under subparagraphs (G) and (H) of subsection (b)(1).”.

SEC. 3. STREAMLINING REPAYMENT PLANS FOR NEW BORROWERS.

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

(1) by striking subsection (d) and inserting the following:

“(d) REPAYMENT PLANS.—

“(1) DESIGN AND SELECTION FOR BORROWERS BEFORE JULY 1, 2017.—With respect to a borrower of a loan made under this part before July 1, 2017, and consistent with criteria established by the Secretary, the Secretary shall offer such borrower a variety of plans for repayment of such loan, including principal and interest on the loan. The borrower shall be entitled to accelerate, without penalty, repayment on the borrower’s loans under this part. The borrower may choose—

“(A) a fixed repayment plan, consistent with subsection (a)(1) of this section and with section 428(b)(9)(A)(i);

“(B) a graduated repayment plan, consistent with section 428(b)(9)(A)(ii);
“(C) an extended repayment plan, consistent with section 428(b)(9)(A)(iv), except that the borrower shall annually repay a minimum amount determined by the Secretary in accordance with section 428(b)(1)(L);

“(D) an income contingent repayment plan, with varying annual repayment amounts based on the income of the borrower, paid over an extended period of time prescribed by the Secretary, not to exceed 25 years, 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; and

“(E) an income-based repayment plan that enables borrowers who have a partial financial hardship to make a lower monthly payment in accordance with section 493C, 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.

“(2) DESIGN AND SELECTION FOR NEW BORROWERS ON OR AFTER JULY 1, 2017.—The Secretary shall offer a borrower of a loan made under this part on or after July 1, 2017, the following plans for repayment of such loan, including principal and interest on the loan. The borrower shall be entitled to accelerate, without penalty, repayment on the borrower’s loans under this part. The borrower may choose—

“(A) a fixed repayment plan, consistent with subsection (a)(1) of this section and with section 428(b)(9)(A)(i); or

“(B) a simplified income-driven repayment plan, consistent with section 493E, except the plan described in this subparagraph shall not be available to a borrower of a Federal Direct PLUS Loan made on behalf of a dependent student, 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) BORROWER NON-SELECTION.—If a borrower of a loan made under this part does not select a repayment plan described in paragraph (1) or (2), the Secretary may provide the borrower with a repayment plan described in subparagraph (A), (B), or (C) of paragraph (1) for borrowers before July 1, 2017, or a repayment plan described in paragraph (2)(A) for new borrowers on or after July 1, 2017.

“(4) CHANGES IN SELECTIONS.—The borrower of a loan made under this part may change the borrower’s selection of a repayment plan under paragraph (1) or (2), or the Secretary’s selection of a plan for the borrower under paragraph (3), as the case may be, under such terms and conditions as may be established by the Secretary.

“(5) ALTERNATIVE REPAYMENT PLANS.—The Secretary may provide, on a case-by-case basis, an alternative repayment plan to a borrower of a loan made under this part on or after July 1, 2017, who demonstrates to the satisfaction of the Secretary that the terms and conditions of the repayment plans available under paragraph (2) are not adequate to accommodate the borrower’s exceptional circumstances. Upon request, the Secretary shall make available for such borrower’s repayment plans
described in subparagraphs (B) and (C) of paragraph (1). In designing such alternative repayment plans, the Secretary shall ensure that such plans do not exceed the cost to the Federal Government, as determined on the basis of the present value of future payments by such borrowers, of loans made using the plans available under paragraph (2).

“(6) Repayment after default.—For any borrower who has defaulted on a loan made under this part, the Secretary—

“(A) may require the borrower to pay all reasonable collection costs associated with such loan; and

“(B) if such loan was made—

“(i) to any borrower who, before July 1, 2017, had an outstanding balance on a student loan made, insured, or guaranteed under this part or part B, may require the borrower to repay the loan pursuant to an income contingent repayment plan, as described in paragraph (1)(D), or an income-based repayment plan, as described in paragraph (1)(E); or

“(ii) to a new borrower (as defined in section 493E(a)(5)), may provide the bor-
rower the option to enroll in the repayment plan described in paragraph (2)(B).

“(7) APPLICABILITY PROVISION.—

“(A) IN GENERAL.—Except as provided in paragraph (5) and subparagraph (B), the repayment plans under subparagraphs (B), (C), (D), and (E) of paragraph (1) are not available for a borrower who received the borrower’s first disbursement of a Federal Direct Loan on or after July 1, 2017.

“(B) EXCEPTION.—The repayment plans available to a borrower of a Federal Direct PLUS Loan made on behalf of a dependent student or a Federal Direct Consolidation Loan whose proceeds were used to discharge the liability of a Federal Direct PLUS Loan made on behalf of a dependent student or a loan under section 428B made on behalf of a dependent student on or after July 1, 2015, shall be those described under subparagraphs (A), (B), and (C) of paragraph (1).”; and

(2) in subsection (m)—

(A) in paragraph (1)—
(i) in the paragraph heading, by striking “IN GENERAL” and inserting “BORROWERS BEFORE JULY 1, 2017”; and

(ii) in the matter preceding subparagraph (A), by striking “The Secretary” and inserting “Except as provided in paragraph (5), the Secretary”;

(B) in paragraph (2), by inserting “or (5)” after “paragraph (1)”; and

(C) by adding at the end the following:

“(5) SIMPLIFIED INCOME-DRIVEN REPAYMENT FOR NEW BORROWERS ON OR AFTER JULY 1, 2017.—

“(A) IN GENERAL.—With respect to an eligible Federal Direct Loan not in default made under this part on or after July 1, 2017, the Secretary shall cancel the balance of interest and principal due, after the conclusion of the employment period described in paragraph clause (iv), as of the time of such cancellation, on any such loan for a borrower who—

“(i) as of July 1, 2017, had no outstanding balance on a student loan made, insured, or guaranteed under this part or part B or had no outstanding balance on a student loan made, insured, or guaran-
teed under this part or part B on the date the borrower received the loan made under this part on or after July 1, 2017;

“(ii) has made 120 monthly payments on the eligible Federal Direct Loan under a simplified income-driven repayment plan under subsection (d)(2)(B);

“(iii) is employed in a public service job at the time of such forgiveness; and

“(iv) has been employed in a public service job during the period in which the borrower makes each of the 120 payments described in clause (ii).

“(B) ANNUAL INCOME VERIFICATION.—With respect to a borrower who fails to submit to the Secretary verification of the borrower’s annual adjusted gross income as required under section 493E(e), any monthly payments made during the period the borrower is in violation of such requirement shall not be considered eligible payments under subparagraph (A)(ii) toward the cancellation pursuant to this paragraph of the balance of interest and principal due on the borrower’s loan.”.
SEC. 4. FIXED REPAYMENT PLAN.

The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(1) in section 153(a)(1)(B)(iii)(V), by striking “standard repayment plan” and inserting “fixed repayment plan”;

(2) in section 428(b)(9)(A)(i), by striking “standard repayment plan” and inserting “fixed repayment plan”;

(3) in section 433(b)(7)(B), by striking “standard repayment plan” and inserting “fixed repayment plan”;

(4) in section 455—

(A) in subsection (e)(7)(B)(iv), by striking “standard repayment plan” and inserting “fixed repayment plan”; and

(B) in subsection (m)(1)(A)(ii), by striking “standard repayment plan” and inserting “fixed repayment plan”; and

(5) in section 493C—

(A) in subsection (a)(3)(A), by striking “standard repayment plan” and inserting “fixed repayment plan”; and

(B) in subsection (b)—
(i) in paragraph (7)(B)(iii), by striking “standard repayment plan” and inserting “fixed repayment plan”; and

(ii) in paragraph (8), by striking “standard repayment plan” and inserting “fixed repayment plan”.

SEC. 5. NOTIFICATION TO BORROWERS ABOUT REPAYMENT OPTIONS AND ALTERNATIVES TO DEFAULT.

Not later than 1 year after the date of enactment of this Act, the Secretary of Education shall require servicers of loans made, insured, or guaranteed under part B or D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1071 et seq. and 1087a et seq.) to—

(1) notify borrowers, in writing and through electronic format, about all repayment options for which the borrower may qualify;

(2) provide borrowers, in writing and through electronic format, information about alternative repayment plans, including the borrower’s estimated monthly payment, expected number of years to repay, expected amount of loan forgiveness, expected total loan forgiveness, and expected total principal and interest paid, associated with each repayment plan in a format that permits the borrower to com-
pare the current repayment plan with alternative repayment plans; and

(3) offer to enroll such borrowers in alternative plans, if eligible.

SEC. 6. GAO STUDY ON IMPROVING ENROLLMENT AND VERIFICATION ASSOCIATED WITH INCOME-DRIVEN REPAYMENT.

Not later than 2 years after the date of enactment of this Act, the Comptroller General of the United States, in consultation with the Secretary of the Treasury, shall—

(1) complete a study that—

(A) examines the feasibility of simplifying the process for enrolling in, and verifying annual eligibility for, the simplified income-driven repayment program authorized under the amendments made by this Act; and

(B) provides recommendations, including those relating to streamlined income and employment verification and simplified methods of repayment, for efficient administration of income-based repayment programs, including those authorized under the amendments made by this Act; and

(2) prepare and submit a report to the Committee on Health, Education, Labor, and Pensions
of the Senate and the Committee on Education and the Workforce of the House of Representatives setting forth the conclusions of the study described in paragraph (1) in such a manner that the recommendations included in the report can inform future reauthorizations of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).