S. 799

To simplify and improve the Federal student loan program through income-contingent repayment to provide stronger protections for borrowers, encourage responsible borrowing, and save money for taxpayers.

IN THE SENATE OF THE UNITED STATES

MARCH 30, 2017

Mr. WARNER (for himself and Mr. RUBIO) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To simplify and improve the Federal student loan program through income-contingent repayment to provide stronger protections for borrowers, encourage responsible borrowing, and save money for taxpayers.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Dynamic Repayment Act of 2017”.

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SEC. 2. TERMINATION OF AUTHORITY TO MAKE FEDERAL DIRECT STAFFORD LOANS, FEDERAL DIRECT UNSUBSIDIZED STAFFORD LOANS, AND FEDERAL DIRECT PLUS LOANS TO STUDENTS UNDER THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM.

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

“(4) TERMINATION OF AUTHORITY TO MAKE FEDERAL DIRECT STAFFORD LOANS, FEDERAL DIRECT UNSUBSIDIZED STAFFORD LOANS, AND FEDERAL DIRECT PLUS LOANS TO STUDENTS UNDER THIS PART.—

“(A) IN GENERAL.—Notwithstanding any provision of this part or part B, for any period of instruction beginning on or after July 1, 2018—

“(i) a student shall not be eligible to receive a Federal Direct Stafford Loan under this part; and

“(ii) a student shall not be eligible to receive a Federal Direct Unsubsidized Stafford Loan or Federal Direct PLUS Loan under this part, except as provided in subparagraph (B).
“(B) EXCEPTIONS.—Subparagraph (A)(ii) shall not be applicable with respect to the following:

“(i) EXISTING STUDENT BORROWERS.—A student who, as of July 1, 2018, has an outstanding balance of principal or interest owing on any loan made, insured, or guaranteed under part B or this part may continue to be eligible to borrow a loan under this part, except for a Federal Direct Stafford Loan, in accordance with subparagraph (C) until June 30, 2020.

“(ii) PARENT PLUS LOANS.—An excepted PLUS loan or excepted consolidation loan (as such terms are defined in section 493C(a)) under this part that is made to a parent on behalf of an undergraduate dependent student.

“(iii) FEDERAL DIRECT CONSOLIDATION LOANS.—A Federal Direct Consolidation Loan under this part.

“(C) MAXIMUM ANNUAL AMOUNTS OF FEDERAL DIRECT UNSUBSIDIZED STAFFORD LOANS.—The maximum annual amount of Fed-
eral Direct Unsubsidized Stafford Loans a student described in subparagraph (B)(i) may borrow in an academic year (as defined in section 481(a)(2)) or its equivalent shall be the maximum annual amount for such student determined under section 428H, plus an amount equal to the amount of Federal Direct Stafford Loans the student would have received in the absence of subparagraph (A)(i).”.

SEC. 3. ESTABLISHMENT OF THE INCOME DEPENDENT EDUCATION ASSISTANCE LOAN PROGRAM AND THE IDEA LOAN REPAYMENT PROGRAM.

Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) is amended by adding at the end the following:

“PART J—INCOME DEPENDENT EDUCATION ASSISTANCE LOANS

“Subpart 1—IDEA Loans

“SEC. 499A. PROGRAM AUTHORITY AND AGREEMENTS.

“(a) PROGRAM AUTHORITY.—

“(1) IN GENERAL.—There are authorized to be appropriated, in accordance with the provisions of this part, such sums as may be necessary to make loans to all eligible students in attendance at participating institutions of higher education selected by
the Secretary, to enable such students to pursue their courses of study at such institutions beginning July 1, 2018. Loans made under this part shall be made by participating institutions, or consortia thereof, that have agreements with the Secretary to originate loans, or by alternative originators designated by the Secretary to make loans for students in attendance at participating institutions.

“(2) DESIGNATION.—The program established under this subpart shall be referred to as the ‘Income Dependent Education Assistance Loan Program’, or the ‘IDEA Loan Program’.

“(b) FUNDS FOR THE ORIGINATION OF IDEA LOANS.—The Secretary shall provide funds for student loans under this part in the same manner as the Secretary provided funds for the origination of Federal Direct Student Loans under part D in accordance with section 452 on the day before the date of enactment of the Dynamic Repayment Act of 2017. The requirements, rights, and limitations with respect to the Secretary and institutions for funds provided for loans under part D on the day before the date of enactment of the Dynamic Repayment Act of 2017 shall apply with respect to the Secretary and institutions for funds provided for loans under this part, except
that funds under this part shall not be provided for parent loans.

“(c) SELECTION OF INSTITUTIONS FOR PARTICIPA-
TION AND ORIGINATION, AND AGREEMENTS WITH INSTIT-
TIONS.—

“(1) SELECTION OF INSTITUTIONS FOR PAR-
TICIPATION AND ORIGINATION.—The Secretary shall enter into agreements with institutions of higher education to participate in the IDEA Loan Program under this part and agreements with institutions of higher education, or consortia thereof, to originate loans in such program for academic years beginning on or after July 1, 2018. The provisions of section 453 as in effect on the day before the date of enactment of the Dynamic Repayment Act of 2017 shall apply with respect to agreements under this section. The Secretary shall provide alternative origination services for loans under this part, as appropriate, in a manner consistent with the provisions of sections 453 and 456 as in effect on the day before the date of enactment of the Dynamic Repayment Act of 2017 related to alternative origination services for loans under part D.

“(2) PARTICIPATION AND ORIGINATION AGREE-
MENTS WITH INSTITUTIONS.—An agreement with
any institution of higher education for participation in the IDEA Loan Program under this part, and an agreement with any institution of higher education, or consortia thereof, to originate loans in such program, shall have the same terms as the terms required under section 454 as in effect on the day before the date of enactment of the Dynamic Repayment Act of 2017 for agreements with an institution for participation or origination, respectively, in the student loan program under part D, except that agreements for participation or origination under this part shall not apply to parent loans.

“(3) WITHDRAWAL AND TERMINATION PROCEDURES.—The Secretary shall establish procedures by which institutions or consortia may withdraw or be terminated from the program under this part.

“SEC. 499B. TERMS AND CONDITIONS OF IDEA LOANS.

“(a) Parallel Terms, Conditions, Benefits, and Amounts.—Unless otherwise specified in this part, Income Dependent Education Assistance Loans (referred to in this part as ‘IDEA Loans’) made to borrowers under this part shall have the same terms, conditions, and benefits, and be available in the same amounts, as Federal Direct Unsubsidized Stafford Loans made to borrowers under part D, and first disbursed on the day before the

“(b) Eligible Borrowers.—

“(1) In general.—In addition to the requirements of section 484, to be eligible to receive a loan (other than an IDEA Consolidation Loan) under this part, a borrower—

“(A) shall be an individual who, on the date of application for such loan, has no outstanding balance of principal or interest owing on any loan made, insured, or guaranteed under part B or D (other than an excepted PLUS loan or an excepted consolidation loan (as such terms are defined in section 493C(a))); or

“(B) in the case of an individual with an outstanding balance of principal or interest owing on any loan described in subparagraph (A), shall consolidate all such existing loans into an IDEA Consolidation Loan under section 499C.

“(2) Only student borrowers eligible.—

For purposes of this part, the term ‘borrower’ shall not include a parent borrower.

“(c) Annual and Aggregate Limits.—
“(1) IN GENERAL.—Subject to paragraph (2), the maximum annual amount of IDEA Loans in any academic year (as defined in section 481(a)(2)) or its equivalent, and the maximum aggregate amount of IDEA Loans that a student may borrow, shall be the maximum annual amounts and maximum aggregate amounts, respectively, of Federal Direct Unsubsidized Stafford Loans under part D that such student would have been eligible to borrow in the absence of section 455(a)(4), as added by the Dynamic Repayment Act of 2017.

“(2) GRADUATE AND PROFESSIONAL STUDENTS ELIGIBLE FOR PLUS LOANS.—In the case of a graduate or professional student who would have been eligible to borrow a Federal Direct PLUS Loan under part D in the absence of section 455(a)(4), as added by the Dynamic Repayment Act of 2017, the maximum annual amounts and maximum aggregate amounts, respectively, of IDEA Loans that such a student may borrow as determined under paragraph (1) for any academic year (as defined in section 481(a)(2)) or its equivalent, may be increased to an amount equal to the maximum annual amounts and maximum aggregate amounts, respectively, of Federal Direct PLUS Loans that such student would
have been eligible to borrow in the absence of such section 455(a)(4).

“(d) **Loan Fee.**—The Secretary shall charge the borrower of a loan (other than an IDEA Consolidation Loan) made under this part an origination fee. Such fee shall be the sum of—

“(1) for the portion of the principal amount of the loan that is equal to (or less than) the maximum annual amount a student may borrow under subsection (c)(1), 1.0 percent of such portion of the principal amount of the loan; plus

“(2) for the portion of the principal amount of the loan that exceeds the maximum annual amount a student may borrow under subsection (c)(1), as authorized by subsection (c)(2), 4.0 percent of such portion of the principal amount of the loan.

“(e) **Interest Rates.**—

“(1) **Undergraduate Students.**—With respect to IDEA Loans made to undergraduate students for which the first disbursement is made on or after July 1, 2018, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to the lesser of—
“(A) a rate equal to the high yield of the 10-year Treasury note auctioned at the final auction held prior to such June 1, plus 2.05 percent; or

“(B) 8.25 percent.

“(2) GRADUATE AND PROFESSIONAL STUDENTS.—With respect to IDEA Loans made to graduate or professional students for which the first disbursement is made on or after July 1, 2018, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to the lesser of—

“(A) the rate determined under paragraph (1)(A), except that ‘3.6 percent’ shall be substituted for ‘2.05 percent’ in such determination; or

“(B) 9.25 percent.

“(3) CONSULTATION.—The Secretary shall determine the applicable rate of interest under paragraphs (1) and (2) after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.
“(4) Application of interest rate during the life of the loan.—

“(A) In-school deferment period.—

Interest shall accrue and be capitalized or paid by the borrower (but periodic installments of principal need not be paid) during the in-school deferment period with respect to an IDEA Loan. For the purposes of this part, the in-school deferment period with respect to an IDEA Loan is the first period during which the borrower is pursuing at least one-half the normal full-time academic workload (as determined by the institution) in the course of study for which the borrower received such loan and ending on the first day of the first month that begins after the borrower ceases to carry at least one-half the normal full-time academic workload (as determined by the institution) in the course of study.

“(B) Grace and repayment periods.—

Interest that accrues during the borrower’s grace period (for the purposes of this title, defined as the period between the borrower’s in-school deferment period and the borrower’s re-
payment period) and during the borrower’s re-

payment period shall not be capitalized.

“(f) ARMED FORCES STUDENT LOAN INTEREST

PAYMENT PROGRAM.—Using funds received by transfer to

the Secretary under section 2174(f)(2) of title 10, United

States Code, the Secretary shall pay the interest on a loan

made under this part to a member of the Armed Forces

as due for a period not in excess of 36 consecutive months.

The Secretary may not pay interest on such a loan out

of any funds other than funds that have been so trans-

ferred.

“(g) NO ACCRUAL OF INTEREST FOR ACTIVE DUTY

SERVICE MEMBERS.—

“(1) IN GENERAL.—Notwithstanding any other

provision of this part and in accordance with para-

gaphs (2) and (4), interest shall not accrue for an

eligible military borrower on a loan made under this

part for which the first disbursement is made on or

after July 1, 2018.

“(2) IDEA CONSOLIDATION LOANS.—In the

case of any IDEA Consolidation loan made under

this part that is disbursed on or after July 1, 2018,

interest shall not accrue pursuant to this subsection

only on such portion of such loan as was used to
repay a loan made under part D for which the first
disbursement is made on or after October 1, 2008.

“(3) ELIGIBLE MILITARY BORROWER.—In this
subsection, the term ‘eligible military borrower’
means an individual who—

“(A)(i) is serving on active duty during a
war or other military operation or national
emergency; or

“(ii) is performing qualifying National
Guard duty during a war or other military op-
eration or national emergency; and

“(B) is serving in an area of hostilities in
which service qualifies for special pay under
section 310 of title 37, United States Code.

“(4) LIMITATION.—An individual who qualifies
as an eligible military borrower under this sub-
section may receive the benefit of this subsection for
not more than 60 months.

“(h) LOAN CANCELLATION AND DISCHARGE.—The
Secretary shall discharge a borrower’s liability on a loan
made under this part in accordance with subsections (a)
and (c) of section 437.

“(i) LOAN FORGIVENESS.—A loan made under this
part shall be eligible for loan forgiveness under the fol-
lowing conditions:
“(1) After 20 years of payments pursuant to section 499F for borrowers who begin repayment with an outstanding balance of principal and interest that is less than the maximum aggregate amount of IDEA Loans that an undergraduate student may borrow as provided under subsection (c).

“(2) After 30 years of payments pursuant to section 499F for borrowers who begin repayment with an outstanding balance of principal and interest that is equal to or greater than the maximum aggregate amount of IDEA Loans that an undergraduate student may borrow as provided under subsection (c).

“SEC. 499C. IDEA CONSOLIDATION LOANS.

“(a) IDEA CONSOLIDATION LOANS.—

“(1) IN GENERAL.—Except as otherwise provided in this section, an IDEA Consolidation Loan under this section shall have the same terms, conditions, and benefits as IDEA Loans made under this part.

“(2) BORROWER AND LOAN ELIGIBILITY.—To be eligible to receive an IDEA Consolidation Loan under this section, a borrower—

“(A) shall—
“(i) meet the criteria described in section 428C(a)(3)(A); and

“(ii) in the case of a borrower described in section 499B(b)(1)(B), agree to consolidate into an IDEA Consolidation Loan all loans made to the borrower that are described in subparagraphs (A) and (C) of section 428C(a)(4) (other than an excepted PLUS loan or an excepted consolidation loan (as such terms are defined in section 493C(a)));

“(B) may consolidate the loans described in subparagraphs (B), (D), and (E) of section 428C(a)(4) into such IDEA Consolidation Loan; and

“(C) may not consolidate an IDEA Loan made under section 499B into such IDEA Consolidation Loan.

“(3) REQUIREMENTS FOR THE SECRETARY.—In making IDEA Consolidation Loans under this section, the Secretary—

“(A) shall ensure that—

“(i) each IDEA Consolidation Loan will be made, notwithstanding any other provision of this title limiting the annual or
aggregate principal amount for all loans made to the borrower, in an amount that is equal to the sum of the unpaid principal, interest, penalties, and fees of all loans received by the borrower which are selected by the borrower for consolidation under this section; and

“(ii) the proceeds of each IDEA Consolidation Loan will be paid by the Secretary to the holder or holders of the loans being consolidated to discharge the liability on such loans;

“(B) shall not discriminate against any borrower seeking such an IDEA Consolidation Loan—

“(i) based on the number or type of loans the borrower seeks to consolidate;

“(ii) based on the interest rate to be charged to the borrower with respect to the consolidation loan; or

“(iii) based on the type or category of institution of higher education that the borrower attends or attended; and

“(C) shall disclose to a prospective borrower, in simple and understandable terms, at
the time the Secretary provides an application
for an IDEA Consolidation Loan—

“(i) whether consolidation would re-
sult in a loss of loan benefits under part
B or part D, including loan forgiveness,
cancellation, and deferment;

“(ii) with respect to Federal Perkins
Loans under part E—

“(I) that if a borrower includes a
Federal Perkins Loan under part E in
the consolidation loan, the borrower
will lose all interest-free periods that
would have been available for the Fed-
eral Perkins Loan, including—

“(aa) the periods during
which no interest accrues on such
loan while the borrower is en-
rrolled in school at least half-time;

“(bb) the grace period under
section 464(c)(1)(A); and

“(cc) the periods during
which the borrower’s student
loan repayments are deferred
under section 464(c)(2);
“(II) that if a borrower includes a Federal Perkins Loan in the consolidation loan, the borrower will no longer be eligible for cancellation of part or all of the Federal Perkins Loan under section 465(a); and

“(III) the occupations listed in section 465 that qualify for Federal Perkins Loan cancellation under section 465(a);

“(iii) the options of the borrower to prepay the IDEA Consolidation Loan;

“(iv) the consequences of default on the IDEA Consolidation Loan; and

“(v) that by applying for an IDEA Consolidation Loan, the borrower is not obligated to agree to take the consolidation loan.

“(b) INTEREST RATE.—Notwithstanding section 499B(e), an IDEA Consolidation Loan for which the application is received on or after July 1, 2018, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent. Interest that ac-
crues on such an IDEA Consolidation Loan shall not be capitalized.

"Subpart 2—IDEA Loan Repayment Program

"CHAPTER 1—ESTABLISHMENT OF THE
IDEA LOAN REPAYMENT PROGRAM

"SEC. 499D. DUTIES OF THE SECRETARY OF THE TREASURY.

"(a) In General.—As part of the IDEA Loan Repayment Program established under this subpart, the Secretary of the Treasury shall, with respect to each individual for whom a loan made under this part is in repayment status during a taxable year, transmit to the Secretary of Education—

"(1) in the case of such an individual who files an income tax return for such taxable year, such tax information as is necessary to determine the individual’s income-based repayment obligation under section 499E; and

"(2) in the case of any such individual who does not file a return for such taxable year, any available tax information of the individual as may be necessary to determine such obligation and whether such individual is in default under the terms of such loan for not so filing.
“(b) ADDITIONAL PROGRAM REQUIREMENTS.—The
Secretary of the Treasury shall establish such other poli-
cies, procedures, and guidance as may be necessary to
carry out the purposes of this subpart, including measures
to prevent underreporting and evasion of repayment or fil-
ing.

“SEC. 499E. DUTIES OF THE SECRETARY OF EDUCATION.

“(a) IN GENERAL.—The Secretary shall carry out,
as part of the IDEA Loan Repayment Program estab-
lished under this subpart, the following activities:

“(1) CALCULATION OF ANNUAL REPAYMENT
AMOUNTS.—The Secretary shall calculate the annual
repayment amount under this subpart for borrowers
with 1 or more loans made under this part in repay-
ment status, including the income-based repayment
obligations of such borrowers in accordance with sec-
section 499F(i).

“(2) COMMUNICATION WITH THE SECRETARY
OF THE TREASURY.—The Secretary shall transmit
to the Secretary of the Treasury such information as
is necessary for the Secretary of the Treasury to
carry out section 499F(i).

“(3) ANNUAL STATEMENTS.—Upon calculating
the annual repayment amounts under paragraph (1)
for a taxable year, the Secretary shall provide a
statement, on an annual basis, to each borrower with a loan made under this part, which lists the following:

“(A) Total payments made on the borrower’s annual repayment amount for such taxable year.

“(B) The borrower’s annual repayment amount for such taxable year.

“(C) In the case of a borrower who, according to section 499F(f), has underpaid such annual repayment amount, the amount of such underpayment and the process for paying such underpayment under section 499F(f)(2).

“(D) In the case of a borrower with an overpayment on such annual repayment amount, the amount of such overpayment and the process for requesting a refund of such amount under section 499F(g), if applicable.

“(E) The outstanding balances on all the loans made to the borrower under this part.

“(F) A description of how the borrower’s annual repayment amount was calculated under paragraph (1) or (2) of section 499F(b).

“(4) DIRECT PAYMENT.—The Secretary shall enable a borrower to make direct payments on the
borrower’s annual repayment amount for the taxable
year to the Secretary throughout the year.

“(5) Payments on a borrower’s behalf.—The Secretary shall—

“(A) provide a mechanism for other individuals or entities to make payments on the annual repayment amount of a borrower for a taxable year; and

“(B) notify the borrower that any payments made under subparagraph (A) for the taxable year that exceed the annual repayment amount for the year shall not be refunded to the borrower.

“(6) Calculating interest accrued.—The Secretary shall calculate the interest accrued for the taxable year as if the borrower’s payments under wage withholding under paragraph (10) for the taxable year were made in 12 equal increments throughout the year.

“(7) Appeals process.—The Secretary shall make available a process through which a borrower can appeal the calculation of the borrower’s annual repayment amount, including a worksheet that enables a borrower to calculate the borrower’s annual repayment amount.
“(8) Default for failure to file a return.—In a case in which the Secretary receives information from the Secretary of the Treasury under section 499D that a borrower with a loan made under this part in repayment status has failed to file a return under section 6012(a)(1) of the Internal Revenue Code of 1986 and such borrower was required to file such a return, the Secretary shall—

“(A) notify the borrower of the borrower’s failure to file such a return; and

“(B) if the borrower fails to file such a return within 90 days of receipt of the notice described in subparagraph (A), consider the borrower’s loans made under this part in repayment status to be in default.

“(9) Withholding opt-out.—The Secretary shall establish a process through which a borrower can indicate that the borrower would like to opt-out of the withholding process under subsection (b) and, in lieu of such process, make payments on a monthly basis, as described in subsection (c).

“(10) Employer withholding.—The Secretary shall establish a process that meets the requirements of subsection (b) under which employers making payment of wages deduct and withhold upon
such wages amounts determined in accordance with subsection (b)(3) with respect to an employee—

“(A) who has a loan made under this part that is in repayment status;

“(B) who has not opted out of the withholding process under this paragraph; and

“(C) who is not in a forbearance period under section 499F(a)(2)(C).

“(11) MONTHLY PAYMENTS PROCESS.—The Secretary shall establish a monthly payments process described in subsection (c).

“(b) REQUIREMENTS FOR EMPLOYER WITHHOLDING.—

“(1) WITHHOLDING ORDERS.—In carrying out the employer withholding process under subsection (a)(10), the Secretary shall carry out the following:

“(A) NEW EMPLOYMENT.—Upon determining, using the information provided under section 453(j)(12) of the Social Security Act (42 U.S.C. 653(j)(12)), that a borrower who meets the requirements of subparagraphs (A) through (C) of subsection (a)(10) obtains new employment, issue a withholding order to the borrower’s employer directing the employer to
withhold and transmit the amounts described in paragraph (3) to the Secretary.

“(B) OTHER PURPOSES.—Upon notification by a borrower that the borrower no longer wishes to opt out of the withholding process under subsection (a)(10) or that a borrower who has been in forbearance under section 499F(a)(2)(C), voluntarily ends or no longer qualifies for such forbearance, or upon determining that a borrower has entered repayment status on 1 or more loans made under this part (and the borrower had no loans made under this part already in repayment status), using the information provided under section 453(j)(12) of the Social Security Act (42 U.S.C. 653(j)(12)), issue a withholding order to all of the borrower’s employers directing such employers to withhold and transmit the amounts described in paragraph (3) to the Secretary.

“(C) STOP WITHHOLDING ORDER.—Upon determining that a borrower is eligible for a forbearance under section 499F(a)(2)(C), that the borrower has opted out of the withholding process under subsection (a)(10), or that a borrower
has repaid the borrower’s loans made under this part, using the information provided under paragraph 12 of section 453(j)(12) of the Social Security Act (42 U.S.C. 653(j)(12)), issue a withholding order to the borrower’s employers directing such employers to cease withholding under this paragraph.

“(D) TRANSFER OF PAYMENTS.—Outline clearly the process through which employers shall transfer money withheld under this subsection to the Secretary.

“(E) ELECTRONIC TRANSMISSION.—

“(i) IN GENERAL.—Make available electronic means of transmitting and processing both withholding orders and payments from employers, including a means to correct under- and overpayments to the extent feasible, with the goal of streamlining the processing of such orders and payments and minimizing impacts on employers.

“(ii) NO REQUIREMENT TO USE ELECTRONIC TRANSMISSION.—Nothing in this part shall be construed to require an employer, in carrying out a withholding order
under this section, to use the electronic
process described in clause (i).

“(2) Employer remittance.—

“(A) In general.—In the case where an
employer has received a withholding order
under subparagraph (A) or (B) of paragraph
(1) or the employee has indicated under para-
graph (4)(A) that the employee has a loan that
meets the requirements of subparagraphs (A)
through (C) of subsection (a)(10), and the em-
ployer has not subsequently received an order to
stop withholding under paragraph (1)(C) for
such employee, the employer shall withhold and
transmit the amounts described in paragraph
(3) to the Secretary as directed under para-
graph (1)(D) and shall be liable for, and the
Secretary, as appropriate, may sue the em-
ployer in a State or Federal court of competent
jurisdiction to recover any amount that such
employer fails to withhold from wages with re-
spect to an employee after being directed to do
so for such employee, plus attorneys’ fees, costs,
and, in the court’s discretion, punitive damages.

Such employer shall not be required to vary the
normal pay and disbursement cycles in order to comply with this subparagraph.

“(B) TIMING.—An employer transmitting to the Secretary withholding payments under this subsection shall transmit such payments on a periodic basis, as determined by the employer but not less frequently than quarterly.

“(3) WITHHOLDING AMOUNT.—The amount withheld by an employer for each pay period with respect to any employee for whom the employer is withholding under this subsection shall be an amount equal to the sum of—

“(A) the amount that results from the employer withholding—

“(i) 10 percent of the employee’s wages for such pay period that will count towards the employee’s annual repayment amount under section 499F(b) that is in excess of the employee’s exemption amount for such pay period (as determined by dividing the employee’s exemption amount under section 499F(i)(3) by the number of pay periods for the taxable year); or

“(ii) in a case in which an employee requests that such exemption amount not
be taken into account, 10 percent of the employee’s wages for such pay period that will count towards the employee’s annual repayment amount under section 499F(b); and

“(B) any additional amounts the employee wishes to have withheld in accordance with paragraph (4)(C).

“(4) WITHHOLDING PREFERENCES.—The Secretary shall provide forms and procedures to allow an employee to indicate to the employee’s employer—

“(A) that the employee has a loan that meets the requirements of subparagraphs (A) through (C) of subsection (a)(10) and therefore the employer shall withhold payments under this subsection;

“(B) that the employer shall not take into account the exemption amount to which the employee is eligible under this part in determining the employee’s withholding amount because the exemption amount has already been taken into account with respect to such employee; and

“(C) an election by the employee to have amounts withheld in addition to the employee’s
withholding amount as calculated under paragraph (3).

“(5) EMPLOYEE PROTECTION.—An employer may not discharge from employment, refuse to employ, or take disciplinary action against an individual subject to wage withholding in accordance with this section by reason of the fact that the individual’s wages have been subject to withholding under this section, nor may an employer require that an individual opt-out under subsection (a)(9) and such individual may sue in a State or Federal court of competent jurisdiction any employer who takes such action. The court shall award attorneys’ fees to a prevailing employee and, in its discretion, may order reinstatement of the individual, award punitive damages and back pay to the employee, or order such other remedy as may be reasonably necessary.

“(6) GARNISHMENT.—For purposes of title III of the Consumer Credit Protection Act (15 U.S.C. 1671 et seq.), amounts withheld under this subsection shall—

“(A) not be considered a garnishment; and

“(B) be considered to be amounts required by law to be withheld.

“(c) MONTHLY PAYMENTS PROCESS.—
“(1) IN GENERAL.—The Secretary shall establish a process under which a borrower may make monthly payments towards the borrower’s annual repayment amount, at any time in the taxable year, because the borrower—

“(A) has opted-out of withholding under subsection (a)(10); or

“(B) expects to have income that is not subject to the withholding process described in subsection (b).

“(2) INFORMATION REQUIRED.—The procedure for initiating the monthly payments process under paragraph (1) shall include the following:

“(A) INCOME ESTIMATE.—A requirement for a borrower to provide an estimate of the borrower’s income for the taxable year that will count towards the borrower’s income-based repayment obligation, excluding, in the case of a borrower subject to the withholding process, any income subject to the withholding process.

“(B) AMORTIZATION SCHEDULE.—In the case of a borrower who has opted out of the withholding process, the ability for the borrower to indicate that the borrower would like the borrower’s monthly payments set such that the
borrower’s outstanding loans made under this part would be repaid within a specified number of years.

“(3) Monthly payments amounts.—The Secretary shall set the borrower’s monthly payment amount to the greater of—

“(A) the difference between the borrower’s annual repayment amount that would result given the income estimate provided by the borrower under paragraph (2)(A) and the payments the borrower has already made in the year towards such amount (excluding, for borrowers who have not opted-out of withholding, payments through the withholding process), divided by the remaining months in the taxable year; or

“(B) for a borrower who indicates a time frame under paragraph (2)(B), the monthly payment amount that would result in the borrower’s currently outstanding loans made under this part being repaid within the number of years specified by the borrower.

“(4) Automatic continuation.—The monthly payments process shall continue until—
“(A) the borrower elects to stop such payments; or

“(B) the borrower’s loans made under this part are repaid.

“(5) UPDATING PAYMENT AMOUNTS.—

“(A) SECRETARY.—The Secretary shall automatically recalculate a borrower’s monthly payment amount at the beginning of a new taxable year using the most recent income estimate provided under paragraph (2)(A) by the borrower.

“(B) BORROWER.—The borrower may update the borrower’s income estimate under paragraph (2)(A) at any time.

“CHAPTER 2—BORROWER REPAYMENT OF IDEA LOANS AND IDEA CONSOLIDATION LOANS

“SEC. 499F. BORROWER REPAYMENT.

“(a) REPAYMENT PERIOD.—The repayment period of a loan made under this part shall—

“(1) begin on the first day of the first taxable year that begins after the borrower’s in-school deferment period, or in the case of an IDEA Consolidation Loan, on the first day of the first taxable
year that begins after such Consolidation Loan is
disbursed; and

“(2) continue until the loan is paid in full, ex-
cept that the Secretary may grant a borrower for-
bearance of the borrower’s annual repayment
amount—

“(A) for a period not to exceed 60 days,
due to administrative or technical reasons;

“(B) for a period not to exceed 3 months,
due to unusual circumstances that disrupt the
borrower’s ability to make timely payments on
the loan; or

“(C) renewable at 12-month intervals for a
period not to exceed 3 years, due to docu-
mented extreme economic hardship on the part
of a borrower.

“(b) ANNUAL REPAYMENT AMOUNT.—The annual
repayment amount under this part for a taxable year for
a borrower with 1 or more loans made under this part
in repayment status shall be equal to the lesser of—

“(1) the income-based repayment obligation for
such borrower for such year, as calculated under
section 499E(a)(1); or

“(2) an amount equal to the sum of the out-
standing balances (equal to the sum of the unpaid
principal, interest, penalties, and fees) that the bor-
rower owes on such loans.

“(c) METHODS OF REPAYMENT.—A borrower who
expects to have an annual repayment amount for the tax-
able year that is greater than the amount specified in sub-
section (f)(1)(D) shall make payments through the fol-
lowing methods:

“(1) With respect to any wages earned by the
borrower that are subject to Federal income tax
withholding, the withholding process described in
section 499E(a)(10).

“(2) The monthly payments process described
in section 499E(c), to meet the portion of the bor-
rower’s obligation that is not paid through with-
holding, or, in the case of a borrower who opts out
of the withholding process, to meet the borrower’s
entire obligation.

“(3) The direct payments process under section
499E(a)(4).

“(4) The process described in section
499E(a)(5) that allows other individuals or entities

to make payments on the borrower’s annual repay-
ment amount for the year.

“(d) ORDER OF CREDITING.—Payments on loans
made under this part shall be applied, without regard to
the method of such payments, first toward penalties due
on the loans, next toward any fees due on the loans, then
toward any interest due on the loans, and finally toward
the principal due on the loan with the highest applicable
rate of interest among such loans.

“(e) PREPAYMENT AUTHORIZED.—A borrower shall
have the right to prepay all or part of such loan, at any
time and without penalty. Any such prepayment amount
will be applied to loans made under this part in the same
order as described in subsection (d).

“(f) UNDERPAYMENTS.—

“(1) PENALTIES FOR UNDERPAYMENTS.—

“(A) IN GENERAL.—Subject to subpara-
graph (C), if, as of the last day of a taxable
year, a borrower has not paid at least 90 per-
cent of the borrower’s annual repayment
amount for such year, the borrower shall be
charged a penalty in an amount equal to 10
percent of the difference between—

“(i) an amount equal to 90 percent of
the borrower’s annual repayment amount
for such year; and

“(ii) the amount paid on such annual
repayment amount as of such day.
“(B) INCREASE OF ANNUAL REPAYMENT AMOUNT.—A borrower’s annual repayment amount calculated under subsection (b) for such year shall be increased by the amount of such penalty, but such penalty shall not be treated as a principal or interest amount for a loan made under this part.

“(C) EXCEPTION FOR MEETING THE OBLIGATION FOR THE PREVIOUS YEAR.—A borrower who has paid 100 percent of the borrower’s annual repayment amount for the taxable year preceding the taxable year described in subparagraph (A) shall not be subject to the penalty under this paragraph for the taxable year described in subparagraph (A).

“(D) DE MINIMIS EXCEPTION.—A borrower whose annual repayment amount is less than $300 shall not be subject to the penalty under this paragraph for the taxable year described in subparagraph (A).

“(2) RECONCILING UNDERPAYMENTS.—

“(A) IN GENERAL.—If, as of the last day of a taxable year, the sum of the payments made on a borrower’s annual repayment amount for such year is less than the total
amount of the borrower’s annual repayment amount for such year, the borrower—

“(i) in the case of the first year that the borrower has a difference between such amounts—

“(I) may request, in such manner as the Secretary shall require, that the Secretary reduce the borrower’s annual repayment amount for such year to the sum of—

“(aa) the payments made, as of such day, on the borrower’s annual repayment amount for such year; and

“(bb) any penalties calculated under paragraph (1) resulting from such underpayment; and

“(II) if the borrower qualifies for the reduction requested under subclause (I), shall pay the sum calculated under such subclause at such time and in such manner as required by the Secretary;
“(ii) if the borrower does not qualify for a reduction under clause (i) or does not request such a reduction, shall pay to the Secretary an amount equal to the difference between such amounts within the 30-day period beginning on the date of receipt by the borrower of the borrower’s annual statement described in section 499E(a)(3) for such year; or

“(iii) if the borrower fails to pay the amount owed by the borrower as calculated under clause (ii) within the 30-day period, shall be charged a penalty equal to 2 percent of such amount for each month (prorated based on the percentage of a month such penalty is charged) that such amount is owed or until the borrower defaults on the loan for which such amount is owed, whichever occurs first.

“(B) DEFAULT.—A loan for which an amount is owed under subparagraph (A) and that is not paid within 270 days after the date of receipt by the borrower of the borrower’s annual statement described in section 499E(a)(3) shall be considered to be in default.
“(g) OVERPAYMENTS.—If, as of the last day of a taxable year, the sum of the payments made on a borrower’s annual repayment amount for such year is greater than the total amount of the borrower’s annual repayment amount for such year, the Secretary shall—

“(1) refund the overpayment amount, if the borrower notifies the Secretary, within the 90-day period beginning on the date of receipt of the borrower’s annual statement described in section 499E(a)(3) for such year and in a manner prescribed by the Secretary, that the borrower desires to have the overpayment amount refunded; or

“(2) if a borrower fails to notify the Secretary of the borrower’s desire for a refund of such amount within such 90-day period, apply such amount as a prepayment to the borrower’s loans made under this part in the same manner as a prepayment authorized under subsection (e).

“(h) EMPLOYER FAILURE TO WITHHOLD PAYMENTS.—In the case of a borrower whose employer fails to withhold amounts under section 499E(b) upon any wages earned by the borrower that are subject to Federal income tax withholding and with respect to which the borrower made an election to have amounts withheld under such section, the Secretary shall—
“(1) reduce the borrower’s annual repayment to an amount equal to the borrower’s annual repayment amount had wages from such employer been excluded when calculating the borrower’s annual repayment amount; and

“(2) reduce any penalties for underpayments calculated under subsection (f)(1) and refund any overpayments on such annual repayment amount, accordingly.

“(i) DETERMINATION OF INCOME-BASED REPAYMENT OBLIGATION.—

“(1) IN GENERAL.—The income-based repayment obligation with respect to an individual for any taxable year is an amount equal to 10 percent of the excess of—

“(A) the sum of—

“(i) the wages, salaries, tips, and other employee compensation of the individual, but only if such amounts are includible in gross income for the taxable year (determined without regard to sections 911, 931, and 933 of the Internal Revenue Code of 1986) and are readily attributable to the individual, plus
“(ii) any other amount included in total income of the taxpayer for the taxable year but not described in clause (i), except that such amount shall be divided by 2 in the case of an individual who is married and filing a joint tax return, over “(B) the sum of—

“(i) the exemption amount with respect to such individual, plus

“(ii) the lesser of the amount determined with respect to the taxpayer under subparagraph (A)(ii), or $3,000.

“(2) Exclusion of certain amounts paid on behalf of individual.—Any amount paid on the borrower’s behalf under section 499E(a)(5) shall not be taken into account in determining such borrower’s income-based repayment obligation.

“(3) Exemption amount.—For purposes of this subpart, the exemption amount with respect to an individual shall be $10,000 (adjusted each year to reflect changes in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor for the most recent 12-month period for which such data are available).
“(4) INDIVIDUALS NOT FILING A RETURN.—

The income-based repayment obligation with respect to an individual not required to file a return under section 6012(a)(1) of the Internal Revenue Code of 1986 shall be treated as zero.”.

SEC. 4. CONFORMING CHANGES TO THE HIGHER EDUCATION ACT OF 1965.

(a) LOAN FORGIVENESS AND CANCELLATION FOR TEACHERS.—

(1) LOAN FORGIVENESS FOR TEACHERS.—Section 428J of the Higher Education Act of 1965 (20 U.S.C. 1078–10) is amended—

(A) in subsection (b), by inserting “or for an IDEA loan made under part J,” after “or 428H,”; and

(B) in subsection (c)—

(i) in paragraph (1), by inserting “or an IDEA loan made under part J” after “or 428H”; and

(ii) in paragraph (2)—

(I) by striking “A loan” and inserting the following:

“(A) LOANS MADE UNDER SECTION 428C.—A loan”; and
(II) by adding at the end the following:

“(B) IDEA CONSOLIDATION LOAN.—A loan amount for an IDEA Consolidation Loan may be a qualified loan amount for purposes of this subsection only to the extent that such loan amount was used to repay a Federal Direct Stafford Loan, a Federal Direct Consolidation Loan, a Federal Direct Unsubsidized Stafford Loan, or a loan made under section 428, 428C, or 428H.”.

(2) LOAN CANCELLATION FOR TEACHERS.—Section 460 of the Higher Education Act of 1965 (20 U.S.C. 1087j) is amended—

(A) in subsection (b), in the matter preceding paragraph (1), by inserting “or for an IDEA loan made under part J” after “under this part”; and

(B) in subsection (c)—

(i) in paragraph (1), by striking “or a Federal Direct Unsubsidized Stafford Loan” and inserting “, a Federal Direct Unsubsidized Stafford Loan, or an IDEA loan made under part J”; and

(ii) in paragraph (2)—
(I) by striking “A loan” and inserting the following:

“(A) Federal Direct Consolidation Loan.—A loan”; and

(II) by adding at the end the following new subparagraph:

“(B) IDEA Consolidation Loan.—A loan amount for an IDEA Consolidation Loan may be a qualified loan amount for purposes of this subsection only to the extent that such loan amount was used to repay a Federal Direct Stafford Loan, a Federal Direct Consolidation Loan, a Federal Direct Unsubsidized Stafford Loan, or a loan made under section 428, 428C, or 428H.”.

(b) Loan Forgiveness for Service in Areas of National Need.—Section 428K(a)(2) of the Higher Education Act of 1965 (20 U.S.C. 1078–11(a)(2)) is amended—

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

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

(3) by adding at the end the following:
“(C) to cancel a qualified loan amount for
a loan made under part J.”.

(c) LOAN REPAYMENT FOR CIVIL LEGAL ASSIST-
ANCE ATTORNEYS.—Section 428L(b)(2)(A) of the Higher
Education Act of 1965 (20 U.S.C. 1078–12(b)(2)(A)) is
amended—

(1) in clause (i), by striking “or part E” and
inserting “, part E, or part J”; and

(2) in clause (ii)—

(A) in the matter preceding subclause (I),
by striking “or 455(g)” and inserting “, 455(g),
or 499C”;

(B) in subclause (II), by striking “or”
after the semicolon;

(C) by redesignating subclause (III) as
subclause (IV); and

(D) by inserting after subclause (II) the
following:

“(III) a Federal Direct Consoli-
dation loan or a loan made under sec-
tion 428C, in the case of a loan made
under section 499C; or”.

(d) MASTER PROMISSORY NOTE.—Section
432(m)(1)(D) of the Higher Education Act of 1965 (20
U.S.C. 1082(m)(1)(D)) is amended—
(1) by striking “this part and part D” each place it appears and by inserting “this part, part D, and part J”; and

(2) by striking “this part or part D” each place it appears and by inserting “this part, part D, or part J”.

(e) CONTRACTS.—Section 456 of the Higher Education Act of 1965 (20 U.S.C. 1087f) is amended—

(1) in subsection (a)—

(A) in paragraph (2), by striking “this part” each place it appears and inserting “this part or part J”; and

(B) in paragraph (4), by inserting “or part J” after “this part”; and

(2) in subsection (b)—

(A) in paragraph (1), by inserting “or the program under part J” after “(or their parents)”;

(B) in paragraph (2), by inserting “or part J” after “this part”;

(C) in paragraph (3), by inserting “or part J” after “this part”; and

(D) in paragraph (4), by inserting “or the IDEA Loan Program” after “loan program”.

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(f) Funds for Administrative Expenses.—Section 458(a)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087h(a)(3)) is amended—

(1) by striking “this part and part B” and inserting “this part, part B, and part J”; and

(2) by inserting before the period at the end the following: “and part J”.

(g) Student Eligibility.—Section 484 of the Higher Education Act of 1965 (20 U.S.C. 1091) is amended—

(1) in subsection (b)—

(A) in paragraph (3), by striking “or D” and inserting “, D, or E”; and

(B) in paragraph (4)(B), by striking “or E” and inserting “E, or J”;  

(2) in subsection (d)(1), by striking “and E” and inserting “E, and J”; 

(3) in subsection (f), by striking “or part E” both places it appears and inserting “part E, or part J”; and

(4) in subsection (m), by striking “and E” and inserting “E, and J”.

(h) Institutional and Financial Assistance Information for Students.—Section 485 of the Higher Education Act of 1965 (20 U.S.C. 1092) is amended—
(1) in subsection (a)—

(A) in paragraph (1)(M), by striking “and E” and inserting “E, and J”; and

(B) in paragraph (7)(A)(i), by striking “Loan)” each place it appears and inserting “Loan) or part J”;

(2) in subsection (b)—

(A) in paragraph (1)(A)—

(i) in the matter preceding clause (i), by inserting “or made under part J” after “part E”; and

(ii) in clause (vii)—

(I) by inserting “or an IDEA Consolidation Loan” after “Federal Direct Consolidation Loan”; and

(II) by striking “and E” and inserting “E, and J”; and

(B) in paragraph (2)(A), by striking “or E” and inserting “E, or J”; and

(3) in subsection (l)(1)—

(A) in subparagraph (A), in the matter preceding clause (i), by inserting “or made under part J” after “student)”; and

(B) in subparagraph (B), by striking “or D” and inserting “, D, or J”.

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SEC. 5. NATIONAL DIRECTORY OF NEW HIRES.

Section 453(j) of the Social Security Act (42 U.S.C. 653(j)) is amended by adding at the end the following:

“(12) INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST WITH COLLECTION OF IDEA STUDENT LOANS.—

“(A) FURNISHING OF INFORMATION BY THE SECRETARY OF EDUCATION.—The Secretary of Education shall furnish to the Secretary, on such periodic basis as determined by the Secretary of Education in consultation with the Secretary, information in the custody of the Secretary of Education for comparison with information in the National Directory of New Hires, in order to obtain information in such Directory with respect to persons who have a loan made under part J of title IV of the Higher Education Act of 1965 in repayment status.

“(B) REQUIREMENT TO SEEK MINIMUM INFORMATION.—The Secretary of Education shall seek information pursuant to this section only to the extent necessary to improve collection of the debts owed on the loans described in subparagraph (A).

“(C) DUTIES OF THE SECRETARY.—
“(i) INFORMATION DISCLOSURE.—The Secretary, in cooperation with the Secretary of Education, shall compare information in the National Directory of New Hires with information provided by the Secretary of Education with respect to persons described in subparagraph (A) and shall disclose information in such Directory regarding such persons to the Secretary of Education in accordance with this paragraph, for the purposes specified in this paragraph.

“(ii) CONDITION ON DISCLOSURE.—The Secretary shall make disclosures in accordance with clause (i) only to the extent that the Secretary determines that such disclosures do not interfere with the effective operation of the program under this part.

“(D) PROHIBITION AND UNAUTHORIZED USE.—

“(i) IN GENERAL.—Individual data collected under this paragraph shall not be used for any purpose not specifically authorized by Federal law.
“(ii) Penalties for Unauthorized Disclosure of Data.—Any individual who willfully discloses information provided under this paragraph, in any manner to an entity not entitled to receive the information, shall be fined under title 18, United States Code, imprisoned not more than 5 years, or both.

“(E) Use or Disclosure of Information by the Secretary of Education.—The Secretary of Education may use or disclose information provided under this paragraph only for purposes of collecting the debts owed on the loans described in subparagraph (A).

“(F) Reimbursement of HHS Costs.—The Secretary of Education shall reimburse the Secretary, in accordance with subsection (k)(3), for the costs incurred by the Secretary in furnishing the information requested under this paragraph.

“(G) Compliance with FERPA.—In carrying out this paragraph, the Secretary and Secretary of Education shall not share any personally identifiable information and shall act in accordance with section 444 of the General

SEC. 6. DISCLOSURE OF RETURN INFORMATION FOR PURPOSES OF IDEA LOAN REPAYMENT PROGRAM.

(a) In General.—Subsection (l) of section 6103 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(23) Disclosure of return information to Department of Education for purposes of administering IDEA loan repayment program.—

“(A) In general.—The Secretary shall, upon written request, disclose to the Department of Education such return information as is necessary for purposes of carrying out the IDEA Loan Repayment Program established under subpart 2 of part J of the Higher Education Act of 1965.

“(B) Restriction on disclosure.—Return information disclosed under subparagraph (A) may be used by officers, employees, and contractors of the Department of Education only for purposes of, and to the extent nec-
necessary in determining income-based repayment obligations under the IDEA Loan Repayment Program.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act.

SEC. 7. EXCLUSION FOR LOAN FORGIVENESS OF CERTAIN STUDENT LOANS.

(a) IN GENERAL.—Paragraph (1) of section 108(f) of the Internal Revenue Code of 1986 is amended by striking “any student loan if” and all that follows and inserting “any student loan if—

“(A) such discharge was pursuant to a provision of such loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions for any of a broad class of employers, or

“(B) such discharge was pursuant to section 499B(i) of the Higher Education Act of 1965 (relating to the cancellation of loan liability).”.
(b) Effective Date.—The amendment made by subsection (a) shall apply to discharges of indebtedness after the date of enactment of this Act.