

116TH CONGRESS
2D SESSION

S. 4903

To amend the Higher Education Act of 1965 to encourage entrepreneurship by providing loan deferment and loan cancellation for founders and employees of small business startups, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 17, 2020

Ms. HASSAN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Higher Education Act of 1965 to encourage entrepreneurship by providing loan deferment and loan cancellation for founders and employees of small business startups, 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 “Reigniting Opportunity
5 for Innovators Act”.

1 “(i) in excess of 3 years; or

2 “(ii) that begins more than 5 years,
3 or ends more than 8 years, after the date
4 the small business startup was established
5 (as determined by the small business devel-
6 opment center that approved such bor-
7 rower under section 21(o)(5) of the Small
8 Business Act (15 U.S.C. 648(o)(5))).

9 “(C) DEFINITIONS.—In this paragraph—

10 “(i) the terms ‘founder’, ‘full-time em-
11 ployee’, and ‘small business startup’ have
12 the meanings given the terms in subsection
13 (r)(2); and

14 “(ii) the term ‘qualifying small busi-
15 ness startup borrower’ means a borrower
16 of a loan made under this part whose em-
17 ployment as a small business startup
18 founder or full-time employee is approved
19 by a small business development center
20 under section 21(o)(5) of the Small Busi-
21 ness Act (15 U.S.C. 648(o)(5)).”.

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

1 “(r) LOAN CANCELLATION FOR FOUNDERS AND EM-
2 PLOYEES OF SMALL BUSINESS STARTUPS IN DISTRESSED
3 AREAS.—

4 “(1) LOAN CANCELLATION.—

5 “(A) IN GENERAL.—The Secretary shall
6 cancel the balance of interest and principal due,
7 subject to subparagraph (B), on any eligible
8 Federal Direct Loan not in default for a bor-
9 rower who—

10 “(i) at the time of such cancellation,
11 is employed as a founder or full-time em-
12 ployee of a small business startup in a dis-
13 tressed area who—

14 “(I) has been approved for loan
15 cancellation by a small business devel-
16 opment center under section 21(o)(6)
17 of the Small Business Act (15 U.S.C.
18 648(o)(6)); and

19 “(II) began such employment
20 during the 5-year period beginning on
21 the date that the small business start-
22 up was established (as determined by
23 such small business development cen-
24 ter); and

1 “(ii) during the time period for which
2 the borrower has been approved by the
3 small business development center, which
4 in no case shall be more than 10 years
5 after the date on which the small business
6 startup was established, has made 24
7 monthly payments on the eligible Federal
8 Direct Loan pursuant to any repayment
9 plan under subsection (d)(1) or a combina-
10 tion of such plans while so employed.

11 “(B) LOAN CANCELLATION MAXIMUM.—
12 The Secretary shall cancel under this subsection
13 not more than an aggregate of \$20,000 of the
14 loan obligation on the eligible Federal Direct
15 Loans of a borrower.

16 “(C) TIMING REQUIREMENTS.—Each of
17 the 24 monthly payments required under this
18 subsection shall be made after the date of en-
19 actment of this subsection.

20 “(D) INELIGIBILITY FOR DOUBLE BENE-
21 FITS.—No borrower may, for the same service,
22 receive a reduction of loan obligations under
23 both this subsection and—

24 “(i) subsection (m); or

1 “(ii) section 428J, 428K, 428L, or
2 460.

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

4 “(A) DISTRESSED AREA.—The term ‘dis-
5 tressed area’ has the meaning given the term in
6 section 21(o)(1) of the Small Business Act (15
7 U.S.C. 648(o)(1)).

8 “(B) ELIGIBLE FEDERAL DIRECT LOAN.—
9 The term ‘eligible Federal Direct Loan’ means
10 a Federal Direct Stafford Loan, Federal Direct
11 PLUS Loan, Federal Direct Unsubsidized Staf-
12 ford Loan, or a Federal Direct Consolidation
13 Loan.

14 “(C) FOUNDER; FULL-TIME EMPLOYEE.—
15 The terms ‘founder’ and ‘full-time employee’
16 have the meanings given the terms in section
17 21(o)(1) of the Small Business Act (15 U.S.C.
18 648(o)(1)).

19 “(D) SMALL BUSINESS STARTUP.—The
20 term ‘small business startup’ means a business
21 that is certified by a small business develop-
22 ment center under section 21(o)(3) of the Small
23 Business Act (15 U.S.C. 648(o)(3)).”.

1 (c) CONFORMING AMENDMENTS.—Title IV of the
2 Higher Education Act of 1965 (20 U.S.C. 1070a et seq.)
3 is further amended—

4 (1) in section 428J(g)(2), by striking “section
5 455(m)” and inserting “subsection (m) or (r) of sec-
6 tion 455”;

7 (2) in section 428K(f)—

8 (A) by inserting “subsection (m) or (r) of
9 section 455 or” before “section 428J”; and

10 (B) by striking “455(m)”;

11 (3) in section 428L(g), by striking “455(m)”
12 and inserting “subsection (m) or (r) of section 455”;

13 (4) in section 455(m)(4), by inserting “sub-
14 section (r) or” before “section 428J”; and

15 (5) in section 460(g)(2)(B), by striking “section
16 455(m)” and inserting “subsection (m) or (r) of sec-
17 tion 455”.

18 **SEC. 3. SMALL BUSINESS DEVELOPMENT CENTERS.**

19 Section 21 of the Small Business Act (15 U.S.C. 648)
20 is amended—

21 (1) in subsection (c)(3)—

22 (A) in subparagraph (T), by striking
23 “and” at the end;

24 (B) in the first subparagraph (U) (relating
25 to encouraging and assisting the provision of

1 succession planning), by striking the period at
2 the end of clause (v) and inserting a semicolon;

3 (C) in the second subparagraph (U) (relat-
4 ing to providing training in conjunction with
5 the United States Patent and Trademark Of-
6 fice)—

7 (i) by redesignating that subpara-
8 graph as subparagraph (V); and

9 (ii) in clause (ii)(II), by striking the
10 period at the end and inserting a semi-
11 colon; and

12 (D) by adding at the end the following:

13 “(W) certifying small business startups under
14 subsection (o)(3); and

15 “(X) approving loan deferment or cancellation
16 under paragraph (5) or (6) of subsection (o) for
17 founders and full-time employees of certain small
18 business startups, as those terms are defined in
19 paragraph (1) of that subsection.”; and

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

21 “(o) DEFERMENT OR CANCELLATION OF CERTAIN

22 LOANS.—

23 “(1) DEFINITIONS.—In this subsection—

24 “(A) the term ‘distressed area’ has the
25 meaning given the term ‘low-income community’

1 in section 45D(e) of the Internal Revenue Code
2 of 1986;

3 “(B) the term ‘eligible Federal Direct
4 Loan’ has the meaning given the term in sec-
5 tion 455(r)(2) of the Higher Education Act of
6 1965;

7 “(C) the terms ‘founder’ and ‘full-time em-
8 ployee’, with respect to a small business start-
9 up, have the meanings given the terms by the
10 Administrator; and

11 “(D) the term ‘small business startup’
12 means a small business concern that, as of the
13 date that the small business concern submits an
14 application under paragraph (3), has been in
15 existence for not more than 3 years.

16 “(2) ROLE OF SMALL BUSINESS DEVELOPMENT
17 CENTERS.—Any small business development center
18 may, for purposes of eligible Federal Direct Loan
19 deferment or cancellation under subsection (f)(4) or
20 (r) of section 455 of the Higher Education Act of
21 1965 (20 U.S.C. 1087e)—

22 “(A) certify a small business startup under
23 paragraph (3); and

24 “(B) approve eligible Federal Direct Loan
25 deferment or cancellation for a founder or full-

1 time employee of a qualifying small business
2 startup under paragraph (5) or (6).

3 “(3) CERTIFICATION.—In order to be certified
4 by a small business development center, a small
5 business startup shall submit to the small business
6 development center an application that includes—

7 “(A) a 5-year business plan for the small
8 business startup;

9 “(B) the number of employees that the
10 small business startup intends to employ on an
11 annual basis; and

12 “(C) information that demonstrates that
13 the small business startup has the potential for
14 success.

15 “(4) PUBLICATION OF DISTRESSED AREAS.—
16 Not less frequently than once every 3 years begin-
17 ning after the date of enactment of this subsection,
18 the Administrator shall identify and make publically
19 available on the website of the Administration a list
20 of distressed areas.

21 “(5) LOAN DEFERMENT FOR FOUNDERS AND
22 FULL-TIME EMPLOYEES OF A SMALL BUSINESS
23 STARTUP.—

24 “(A) APPLICATION.—In order to be ap-
25 proved by a small business development center

1 for eligible Federal Direct Loan deferment
2 under subsection (f)(4) of section 455 of the
3 Higher Education Act of 1965 (20 U.S.C.
4 1087e), a borrower of an eligible Federal Direct
5 Loan shall submit to the small business devel-
6 opment center an application that includes such
7 information as the Administrator may require.

8 “(B) REQUIREMENTS.—A small business
9 development center shall approve a borrower
10 who applies under subparagraph (A) for eligible
11 Federal Direct Loan deferment if the small
12 business development center determines that—

13 “(i) the borrower is, as of the date on
14 which the application is submitted, a
15 founder or full-time employee of a small
16 business startup that is certified under
17 paragraph (3); and

18 “(ii) the employment of the borrower
19 with the small business startup began dur-
20 ing the 5-year period beginning on the date
21 on which the small business startup was
22 established.

23 “(6) LOAN CANCELLATION FOR FOUNDERS AND
24 FULL-TIME EMPLOYEES OF A SMALL BUSINESS
25 STARTUP IN A DISTRESSED AREA.—

1 “(A) APPLICATION.—In order to be ap-
2 proved by a small business development center
3 for eligible Federal Direct Loan cancellation
4 under subsection (r) of section 455 of the High-
5 er Education Act of 1965 (20 U.S.C. 1087e), a
6 borrower of an eligible Federal Direct Loan
7 shall submit to the small business development
8 center an application that includes such infor-
9 mation as the Administrator may require, in-
10 cluding an identification of the time period dur-
11 ing which the borrower has made 24 monthly
12 payments on the eligible Federal Direct Loan,
13 as required under subparagraphs (A)(ii) and
14 (C) of paragraph (1) of such subsection (r).

15 “(B) REQUIREMENTS.—A small business
16 development center shall approve a borrower
17 who applies under subparagraph (A) for eligible
18 Federal Direct Loan cancellation if the small
19 business development center determines that
20 the borrower—

21 “(i) as of the date on which the appli-
22 cation is submitted, is employed as a
23 founder or full-time employee of a small
24 business startup that—

1 “(I) is located in an area that
2 was a distressed area not more than
3 3 years before the date on which the
4 small business startup was estab-
5 lished;

6 “(II) is certified under paragraph
7 (3) by the small business development
8 center; and

9 “(III) as of the date on which the
10 small business development center ap-
11 proves the borrower under this para-
12 graph, has been operating continu-
13 ously for not less than 5 years and
14 not more than 10 years; and

15 “(ii) was employed as a founder or a
16 full-time employee by a small business
17 startup described in clause (i) during a pe-
18 riod beginning not more than 5 years after
19 the date on which the small business start-
20 up was established, as identified by the
21 borrower under subparagraph (A).”.

22 **SEC. 4. TREATMENT OF LOAN CANCELLATION.**

23 (a) IN GENERAL.—Section 108(f) of the Internal
24 Revenue Code of 1986 is amended by adding at the end
25 the following:

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

9 (b) EFFECTIVE DATE.—The amendment made by
10 subsection (a) shall apply to discharges of indebtedness
11 occurring after the date of enactment of this Act.

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