

117TH CONGRESS  
1ST SESSION

# S. 2596

To amend the Higher Education Act of 1965 to provide for Federal student loan reform.

---

IN THE SENATE OF THE UNITED STATES

AUGUST 4, 2021

Mr. RUBIO 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 provide for Federal student loan reform.

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 “Leveraging Opportuni-  
5 ties for Americans Now Act of 2021” or the “LOAN Act  
6 of 2021”.

1 **SEC. 2. ELIMINATION OF INTEREST AND REPLACEMENT**  
2 **WITH FINANCING FEES.**

3 Section 455 of the Higher Education Act of 1965 (20  
4 U.S.C. 1087e) is amended by adding at the end the fol-  
5 lowing:

6 “(r) **ELIMINATION OF INTEREST AND REPLACEMENT**  
7 **WITH FINANCING FEES.—**

8 “(1) **IN GENERAL.—**

9 “(A) **IN GENERAL.—**Except as provided  
10 under subparagraph (B), beginning on July 1,  
11 2022, the Secretary shall make loans under this  
12 part in accordance with this subsection.

13 “(B) **EXCEPTION.—**Beginning on July 1,  
14 2022, the Secretary shall make loans under this  
15 part in accordance with the provisions of this  
16 part other than this subsection to a borrower  
17 who—

18 “(i) was enrolled in an institution of  
19 higher education on June 30, 2022; and

20 “(ii) elects to borrow a loan under  
21 this part in accordance with the provisions  
22 of this part other than this subsection.

23 “(2) **ELIMINATION OF INTEREST.—**For loans  
24 made under this part in accordance with this sub-  
25 section for which the first disbursement is made on

1 or after July 1, 2022, the applicable rate of interest  
2 shall be equal to 0 percent.

3 “(3) FINANCING FEES.—

4 “(A) IN GENERAL.—Beginning on July 1,  
5 2022, the Secretary shall charge the borrower  
6 of a loan made under this part in accordance  
7 with this subsection a financing fee determined  
8 in accordance with this paragraph and issued  
9 on the date the loan is dispersed.

10 “(B) DETERMINATION OF FEE.—The fi-  
11 nancing fee for a borrower of a loan made  
12 under this part—

13 “(i) that is used for enrollment in an  
14 undergraduate course of study (except a  
15 Federal Direct PLUS Loan made on be-  
16 half of a dependent student), shall be equal  
17 to, from the principal amount of the loan,  
18 20 percent of the amount of such loan;

19 “(ii) that is used for enrollment in a  
20 course of study necessary for enrollment in  
21 a program leading to a degree or certifi-  
22 cate, shall be equal to, from the principal  
23 amount of the loan, 20 percent of the  
24 amount of such loan;

1           “(iii) that is used for enrollment in a  
2 program that is necessary for a profes-  
3 sional credential or certification from a  
4 State that is required for employment as a  
5 teacher in an elementary or secondary  
6 school in that State, shall be equal to,  
7 from the principal amount of the loan, 20  
8 percent of the amount of such loan; and

9           “(iv) that is a Federal Direct PLUS  
10 Loan made on behalf of a dependent stu-  
11 dent or used for enrollment in a graduate  
12 or professional course of study, shall be  
13 equal to, from the principal amount of the  
14 loan, 35 percent of the amount of such  
15 loan.

16           “(C) REDUCTION DUE TO PREPAYMENT.—

17           “(i) IN GENERAL.—In order to pro-  
18 vide an incentive to borrowers to pay the  
19 balance of a loan made under this part  
20 earlier than required under the applicable  
21 repayment plan, the Secretary may credit  
22 or refund any such borrowers for an  
23 amount of the financing fee charged under  
24 this subsection.

25           “(ii) REGULATIONS.—

1           “(I) IN GENERAL.—Not later  
2 than 9 months after the date of enact-  
3 ment of the LOAN Act of 2021, the  
4 Secretary shall promulgate regulations  
5 establishing the methodology for cred-  
6 iting or refunding a financing fee  
7 charged under this subsection pursu-  
8 ant to clause (i). Such credit or re-  
9 fund shall not reduce the financing  
10 fee by more than—

11           “(aa) with respect to a bor-  
12 rower whose income, as deter-  
13 mined under subclause (II), was  
14 not more than \$45,000 in the  
15 taxable year in which the bor-  
16 rower paid an amount from the  
17 balance of a loan made under  
18 this part earlier than required  
19 under the applicable repayment  
20 plan, 15 percentage points of  
21 such amount;

22           “(bb) with respect to a bor-  
23 rower whose income, as deter-  
24 mined under subclause (II), was  
25 more than \$45,000 but not more

1 than \$95,000 in the taxable year  
2 in which the borrower paid an  
3 amount from the balance of a  
4 loan made under this part earlier  
5 than required under the applica-  
6 ble repayment plan, 10 percent-  
7 age points of such amount; and

8 “(cc) with respect to a bor-  
9 rower whose income, as deter-  
10 mined under subclause (II), was  
11 more than \$95,000 in the taxable  
12 year in which the borrower paid  
13 an amount from the balance of a  
14 loan made under this part earlier  
15 than required under the applica-  
16 ble repayment plan, 5 percentage  
17 points of such amount.

18 “(II) INCOME DETERMINA-  
19 TION.—For purposes of subclause (I),  
20 a borrower’s income is equal to the  
21 amount by which—

22 “(aa) the borrower’s, and  
23 the borrower’s spouse’s (if appli-  
24 cable), adjusted gross income; ex-  
25 ceeds

1                   “(bb) 150 percent of the  
2                   poverty line applicable to the bor-  
3                   rower’s family size as determined  
4                   under section 673(2) of the Com-  
5                   munity Services Block Grant Act  
6                   (42 U.S.C. 9902(2)).

7                   “(D) METHODOLOGY OF PAYMENT.—The  
8                   Secretary shall establish an amortization sched-  
9                   ule for the repayment of financing fees charged  
10                  under this subsection.

11                  “(4) RULEMAKING FOR CONSOLIDATION.—Not  
12                  later than 18 months after the date of enactment of  
13                  the LOAN Act of 2021, the Secretary shall promul-  
14                  gate rules regarding Federal Direct Consolidation  
15                  Loans made under this part in accordance with this  
16                  subsection, including a rule that the financing fee  
17                  for such a Federal Direct Consolidation Loan deter-  
18                  mined in accordance with this subsection shall not  
19                  exceed the sum of the financing fees applicable to  
20                  the consolidated loans.”.

21 **SEC. 3. INCOME DEPENDENT EDUCATION ASSISTANCE RE-**  
22 **PAYMENT PLAN.**

23                  Part D of title IV of the Higher Education Act of  
24                  1965 (20 U.S.C. 1087a et seq.) is amended by adding at  
25                  the end the following:

1 **“SEC. 460A. INCOME DEPENDENT EDUCATION ASSISTANCE**  
2 **REPAYMENT PLAN.**

3 “(a) IN GENERAL.—

4 “(1) APPLICABILITY.—Notwithstanding any  
5 other provision of this Act, with respect to any loan  
6 made under this part after the date of enactment of  
7 the LOAN Act of 2021, the repayment plan options  
8 are only a 10-year fixed repayment plan and the re-  
9 payment plan under this section. If the borrower of  
10 the loan does not select a repayment plan, the repay-  
11 ment of such loan shall be made in accordance with  
12 this section. A borrower of a loan made under this  
13 part after the date of enactment of the LOAN Act  
14 of 2021 may affirmatively select the repayment plan  
15 under this section.

16 “(2) REGULATIONS.—Not later than 18 months  
17 after the date of enactment of the LOAN Act of  
18 2021, the Secretary shall promulgate rules—

19 “(A) outlining how the Department will  
20 implement the income dependent education as-  
21 sistance repayment plan requirements for bor-  
22 rowers under this section; and

23 “(B) regarding monthly repayment proc-  
24 esses for borrowers of loans made under this  
25 part before the date of enactment of the LOAN  
26 Act of 2021.



1           “(3) RULE OF CONSTRUCTION.—Nothing in  
2 this section shall be construed to eliminate or other-  
3 wise affect the loan forgiveness or loan cancellation  
4 options available under this part to a borrower.

5           “(b) DUTIES OF THE SECRETARY OF THE TREAS-  
6 URY.—

7           “(1) IN GENERAL.—The Secretary of the  
8 Treasury shall, with respect to each individual for  
9 whom a loan made under this part after the date of  
10 enactment of the LOAN Act of 2021 is in repay-  
11 ment status, transmit to the Secretary of Edu-  
12 cation—

13                   “(A) in the case of such an individual who  
14 files an income tax return for such taxable year,  
15 such tax information as is necessary to deter-  
16 mine the individual’s repayment obligation and  
17 financing fee adjustments, as determined by the  
18 Secretary under this part; and

19                   “(B) in the case of any such individual  
20 who does not file a return for such taxable year,  
21 any available tax information of the individual  
22 as may be necessary to determine such obliga-  
23 tion and whether such individual is delinquent  
24 under the terms of such loan for not so filing.

1           “(2) ADDITIONAL PROGRAM REQUIREMENTS.—

2           The Secretary of the Treasury shall establish such  
3           other policies, procedures, and guidance as may be  
4           necessary to carry out the purposes of this section,  
5           including measures to prevent underreporting and  
6           evasion of repayment or filing.

7           “(c) DUTIES OF THE SECRETARY OF EDUCATION.—

8           “(1) IN GENERAL.—The Secretary shall carry  
9           out, as part of the loan repayment plan established  
10          under this section, the following activities:

11           “(A) CALCULATION OF ANNUAL REPAY-  
12          MENT AMOUNTS.—The Secretary shall calculate  
13          the annual repayment amount under this sec-  
14          tion for borrowers with 1 or more loans made  
15          under this part after the date of enactment of  
16          the LOAN Act of 2021 in repayment status for  
17          one or more months in the taxable year for  
18          which the amount is determined regardless of  
19          which repayment plan the borrower is in, in-  
20          cluding the repayment obligations of such bor-  
21          rowers in accordance with subsection (d)(3).

22           “(B) COMMUNICATION WITH THE SEC-  
23          RETARY OF THE TREASURY.—The Secretary  
24          shall transmit to the Secretary of the Treasury  
25          such information as is necessary for the Sec-

1           retary of the Treasury to carry out subsection  
2           (d)(3).

3           “(C) ANNUAL STATEMENTS.—Upon calcu-  
4           lating the annual repayment amounts under  
5           subparagraph (A) for a taxable year, the Sec-  
6           retary shall provide a statement, on an annual  
7           basis, to each borrower with a loan made under  
8           this part after the date of enactment of the  
9           LOAN Act of 2021 regardless of which repay-  
10          ment plan the borrower is in, which lists the  
11          following:

12                   “(i) Total payments made on the bor-  
13                   rower’s annual repayment amount for such  
14                   taxable year.

15                   “(ii) The borrower’s annual repay-  
16                   ment amount for such taxable year.

17                   “(iii) The outstanding balances on all  
18                   the loans made to the borrower under this  
19                   part after the date of enactment of the  
20                   LOAN Act of 2021 and any other out-  
21                   standing balances on loans of the borrower  
22                   that were made, insured, or guaranteed  
23                   under this title.

1           “(iv) A description of how the bor-  
2           rower’s annual repayment amount was cal-  
3           culated.

4           “(D) PAYMENTS ON A BORROWER’S BE-  
5           HALF.—

6           “(i) IN GENERAL.—The Secretary  
7           shall—

8                   “(I) provide a mechanism for  
9                   other individuals or entities to make  
10                  payments on the annual repayment  
11                  amount of a borrower for a taxable  
12                  year; and

13                   “(II) notify the borrower that  
14                   any payments made under subclause  
15                   (I) for the taxable year that exceed  
16                   the annual repayment amount for the  
17                   year shall not be refunded to the bor-  
18                   rower, except as provided through the  
19                   appeals process described in clause  
20                   (ii).

21           “(ii) APPEALS PROCESS.—The Sec-  
22           retary shall make available a process  
23           through which a borrower can appeal for  
24           refund of payments made under clause (i)  
25           that exceed the annual repayment amount

1 for the year if such payments were made  
2 pursuant to improper wage garnishment.

3 “(E) APPEALS PROCESS.—

4 “(i) IN GENERAL.—The Secretary  
5 shall make available a process through  
6 which a borrower can appeal the calcula-  
7 tion of the borrower’s annual repayment  
8 amount, including a worksheet that en-  
9 ables a borrower to calculate the bor-  
10 rower’s annual repayment amount.

11 “(ii) GOOD STANDING.—A borrower  
12 who makes an appeal under clause (i) with  
13 respect to a loan shall be considered in  
14 good standing on such loan during the du-  
15 ration of the appeal.

16 “(iii) REGULATIONS.—The Secretary  
17 shall issue regulations outlining such proc-  
18 ess not later than 18 months after the date  
19 of enactment of the LOAN Act of 2021.

20 “(F) DELINQUENT FOR FAILURE TO FILE  
21 A RETURN.—

22 “(i) IN GENERAL.—In a case in which  
23 the Secretary receives information from  
24 the Secretary of the Treasury under sub-  
25 section (b) that a borrower with a loan

1 made under this part after the date of en-  
2 actment of the LOAN Act of 2021 in re-  
3 payment status in the repayment plan  
4 under this section, has failed to file a re-  
5 turn under section 6012(a)(1) of the Inter-  
6 nal Revenue Code of 1986 and such bor-  
7 rower was required to file such a return,  
8 the Secretary shall—

9 “(I) notify the borrower of the  
10 borrower’s failure to file such a re-  
11 turn; and

12 “(II) if the borrower fails to file  
13 such a return within 90 days of re-  
14 ceipt of the notice described in sub-  
15 clause (I), consider the borrower’s  
16 loans made under this part after the  
17 date of enactment of the LOAN Act  
18 of 2021 in repayment status in the re-  
19 payment plan under this section to be  
20 delinquent.

21 “(ii) APPEALS PROCESS.—The Sec-  
22 retary shall make available a process  
23 through which a borrower can appeal a de-  
24 termination under clause (i) that the bor-  
25 rower has failed to file a return under sec-

1           tion 6012(a)(1) of the Internal Revenue  
2           Code of 1986 and such borrower was re-  
3           quired to file such a return. The Secretary  
4           shall issue regulations outlining such proc-  
5           ess not later than 18 months after the date  
6           of enactment of the LOAN Act of 2021.

7           “(G) MONTHLY PAYMENTS PROCESS.—The  
8           Secretary shall—

9                   “(i) establish a monthly payments  
10                  process described in paragraph (2); and

11                   “(ii) issue regulations establishing  
12                  penalties for default on such monthly pay-  
13                  ments.

14           “(H) CALCULATING LOAN FORGIVENESS.—  
15           The Secretary shall determine appropriate loan  
16           forgiveness options for students who select the  
17           repayment plan under this section.

18           “(I) FINANCIAL HARDSHIPS.—

19                   “(i) IN GENERAL.—The Secretary  
20                  shall establish a process for providing an  
21                  adjustment in both the monthly payment  
22                  and annual repayment amount obligations  
23                  on a loan for a borrower experiencing ex-  
24                  treme unforeseen financial circumstances  
25                  unrelated to a change in annual income.

1           “(ii) REPAYMENT STATUS.—A bor-  
2           rower who receives an adjustment under  
3           clause (i) for a loan shall be deemed in re-  
4           payment status with respect to such loan.

5           “(2) MONTHLY PAYMENTS PROCESS.—

6           “(A) IN GENERAL.—The Secretary shall  
7           establish a process under which a borrower, or  
8           one making payments on behalf of a borrower  
9           under paragraph (1)(D), shall make monthly  
10          payments towards the borrower’s annual repay-  
11          ment amount.

12          “(B) INFORMATION REQUIRED.—The pro-  
13          cedure for initiating the monthly payments  
14          process under subparagraph (A) shall include  
15          an income estimate based on the income  
16          verification provided by the Secretary of the  
17          Treasury under subsection (b).

18          “(C) AUTOMATIC CONTINUATION.—The  
19          monthly payments process shall continue until  
20          the borrower’s loans made under this part after  
21          the date of enactment of the LOAN Act of  
22          2021 are repaid.

23          “(D) UPDATING PAYMENT AMOUNTS.—



1           “(i) SECRETARY.—The Secretary  
2 shall automatically recalculate a borrower’s  
3 monthly payment amount—

4           “(I) at the beginning of a new  
5 taxable year using the most recent in-  
6 come estimate provided under sub-  
7 section (b)(1) by the Secretary of the  
8 Treasury; and

9           “(II) not later than 30 days after  
10 the date the borrower’s income esti-  
11 mate is adjusted after an appeal  
12 under paragraph (1)(E).

13           “(ii) BORROWER.—A borrower may  
14 request that the Secretary update the bor-  
15 rower’s income estimate to adjust monthly  
16 payment amounts pursuant to subpara-  
17 graph (E) or (I) of paragraph (1) at any  
18 time.

19           “(d) BORROWER REPAYMENT.—

20           “(1) REPAYMENT PERIOD.—The repayment pe-  
21 riod of a loan in the repayment plan under this sec-  
22 tion shall—

23           “(A) begin on the first day of the first tax-  
24 able year that begins after the borrower’s in-  
25 school deferment period; and

1           “(B) continue until the loan is paid in full,  
2           except that the Secretary may grant a borrower  
3           deferment of the borrower’s annual repayment  
4           amount—

5                   “(i) for a period not to exceed 60  
6                   days, due to administrative or technical  
7                   reasons;

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

12                  “(iii) renewable at 12-month intervals  
13                  for a period not to exceed 3 years, due to  
14                  documented extreme economic hardship on  
15                  the part of a borrower.

16           “(2) PREPAYMENT AUTHORIZED.—A borrower  
17           shall have the right to prepay all or part of such  
18           loan, at any time and without penalty. Any such pre-  
19           payment amount shall be applied in accordance with  
20           section 455(r)(3)(C).

21           “(3) DETERMINATION OF INCOME-BASED RE-  
22           PAYMENT OBLIGATION.—

23                   “(A) IN GENERAL.—The repayment obliga-  
24                  tion under this section with respect to an indi-

1           vidual for any taxable year is an amount equal  
2           to 10 percent of the amount by which—

3                   “(i) the individual’s, and the individ-  
4                   ual’s spouse’s (if applicable), adjusted  
5                   gross income; exceeds

6                   “(ii) 150 percent of the poverty line  
7                   applicable to the borrower’s family size as  
8                   determined under section 673(2) of the  
9                   Community Services Block Grant Act (42  
10                  U.S.C. 9902(2)).

11                  “(B) EXCLUSION OF CERTAIN AMOUNTS  
12                  PAID ON BEHALF OF INDIVIDUAL.—Any  
13                  amount paid on the borrower’s behalf under  
14                  subsection (c)(1)(D) shall not be taken into ac-  
15                  count in determining such borrower’s income-  
16                  based repayment obligation.

17                  “(C) INDIVIDUALS NOT FILING A RE-  
18                  TURN.—The income-based repayment obligation  
19                  with respect to an individual not required to file  
20                  a return under section 6012(a)(1) of the Inter-  
21                  nal Revenue Code of 1986 shall be treated as  
22                  zero.”.

○