

113TH CONGRESS
2D SESSION

S. _____

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

_____ introduced the following bill; which was read twice
and referred to the Committee on _____

A BILL

To amend the Higher Education Act of 1965 to establish a simplified income-driven repayment plan, 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
5 [“_____ Act of 2014”].

6 **SEC. 2. SIMPLIFIED INCOME-DRIVEN REPAYMENT PLAN.**

7 Part G of title IV of the Higher Education Act of
8 1965 (20 U.S.C. 1088 et seq.) is amended by adding at
9 the end the following:

1 **“SEC. 493E. SIMPLIFIED INCOME-DRIVEN REPAYMENT**
2 **PLAN.**

3 “(a) DEFINITIONS.—In this section:

4 “(1) COVERED FEDERAL DIRECT LOAN.—The
5 term ‘covered Federal Direct Loan’ means a Federal
6 Direct Stafford Loan, a Federal Direct Unsubsidized
7 Stafford Loan, a Federal Direct Consolidation Loan
8 (other than a Federal Direct Consolidation Loan
9 whose proceeds were used to discharge the liability
10 of a Federal Direct PLUS loan made on behalf of
11 a dependent student or a loan under section 428B
12 made on behalf of a dependent student), or a Fed-
13 eral Direct PLUS Loan (other than a Federal Di-
14 rect PLUS Loan made on behalf of a dependent stu-
15 dent) made under part D.

16 “(2) DISCRETIONARY INCOME.—The term ‘dis-
17 cretionary income’ means the amount by which a
18 borrower’s annual adjusted gross income exceeds
19 150 percent of the poverty line applicable to the bor-
20 rower’s family size.

21 “(3) DISCRETIONARY INCOME BEND POINT.—
22 The term ‘discretionary income bend point’ means
23 \$25,000, adjusted annually for inflation as deter-
24 mined by the Consumer Price Index (as such term
25 is defined in section 478(f)) for the previous cal-
26 endar year.

1 “(4) INCOME-DRIVEN CALCULATION.—

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

7 “(i) 10 percent of the borrower’s dis-
8 cretionary income that is less than the dis-
9 cretionary income bend point, plus

10 “(ii) 15 percent of the borrower’s dis-
11 cretionary income that is equal to or great-
12 er than the discretionary income bend
13 point

14 “(B) ANNUAL CALCULATION.—The cal-
15 culation under subparagraph (A) shall be deter-
16 mined on an annual basis for the duration of
17 the repayment period described in subsection
18 (b).

19 “(5) NEW BORROWER.—The term ‘new bor-
20 rower’ means a borrower who—

21 “(A) as of July 1, 2015, has no out-
22 standing balance on a student loan made, in-
23 sured, or guaranteed under part B or D; or

24 “(B) has no outstanding balance on a stu-
25 dent loan made, insured, or guaranteed under

1 part B or D on the date the borrower receives
2 a loan made under part D on or after July 1,
3 2015.

4 “(b) SIMPLIFIED INCOME-DRIVEN REPAYMENT PLAN
5 AUTHORIZED.—

6 “(1) IN GENERAL.—The Secretary shall carry
7 out a simplified income-driven repayment program
8 for new borrowers that meets the following require-
9 ments:

10 “(A) A new borrower of any covered Fed-
11 eral Direct Loan may elect to have the bor-
12 rower’s aggregate monthly payment for all such
13 loans equal to the income-driven calculation, di-
14 vided by 12.

15 “(B) The holder of such a loan shall apply
16 the borrower’s monthly payment under this sub-
17 section first toward interest due on the loan,
18 next toward any fees due on the loan, and then
19 toward the principal of the loan.

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

22 “(i) shall, on Federal Direct Stafford
23 Loans, be paid by the Secretary for a pe-
24 riod of not more than 3 years after the
25 date of the borrower’s election under sub-

1 paragraph (A), except that such period
2 shall not include any period during which
3 the borrower is in deferment due to an eco-
4 nomic hardship described in section
5 435(o); and

6 “(ii) be capitalized—

7 “(I) in the case of a Federal Di-
8 rect Stafford Loan, subject to clause
9 (i), at the time the borrower’s month-
10 ly payment calculation under subpara-
11 graph (A) exceeds the monthly pay-
12 ment calculation under the standard
13 repayment plan, based on a 10-year
14 repayment period, when the borrower
15 first made the election under subpara-
16 graph (A); and

17 “(II) in the case of a Federal Di-
18 rect Unsubsidized Stafford Loan, at
19 the time the borrower’s monthly pay-
20 ment calculation under subparagraph
21 (A) exceeds the monthly payment cal-
22 culation under the standard repay-
23 ment plan, based on a 10-year repay-
24 ment period, when the borrower first

1 \$57,500 on the date the borrower’s repayment
2 period began, if the borrower—

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

5 “(ii) for 25 years—

6 “(I) made monthly payments
7 pursuant to subparagraph (A); or

8 “(II) was in deferment due to an
9 economic hardship described in sec-
10 tion 435(o).

11 “(2) MONTHLY PAYMENTS.—Only monthly pay-
12 ments made pursuant to paragraph (1)(A) shall be
13 considered eligible payments toward the forgiveness
14 of outstanding loan principal and interest under sub-
15 paragraphs (F) and (G) of paragraph (1).

16 “(c) ELIGIBILITY DETERMINATIONS.—The Secretary
17 shall establish procedures for annually determining a bor-
18 rower’s eligibility for the simplified income-driven repay-
19 ment plan under this section, including—

20 “(1) verification of a borrower’s annual ad-
21 justed gross income;

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

1 of a loan made under this part before July 1, 2015,
2 and consistent with criteria established by the Sec-
3 retary, the Secretary shall offer such borrower a va-
4 riety of plans for repayment of such loan, including
5 principal and interest on the loan. The borrower
6 shall be entitled to accelerate, without penalty, re-
7 payment on the borrower's loans under this part.
8 The borrower may choose—

9 “(A) a standard repayment plan, con-
10 sistent with subsection (a)(1) of this section
11 and with section 428(b)(9)(A)(i);

12 “(B) a graduated repayment plan, con-
13 sistent with section 428(b)(9)(A)(ii);

14 “(C) an extended repayment plan, con-
15 sistent with section 428(b)(9)(A)(iv), except
16 that the borrower shall annually repay a min-
17 imum amount determined by the Secretary in
18 accordance with section 428(b)(1)(L);

19 “(D) an income contingent repayment
20 plan, with varying annual repayment amounts
21 based on the income of the borrower, paid over
22 an extended period of time prescribed by the
23 Secretary, not to exceed 25 years, except that
24 the plan described in this subparagraph shall
25 not be available to the borrower of a Federal

1 Direct PLUS loan made on behalf of a depend-
2 ent student; and

3 “(E) an income-based repayment plan that
4 enables borrowers who have a partial financial
5 hardship to make a lower monthly payment in
6 accordance with section 493C, except that the
7 plan described in this subparagraph shall not be
8 available to the borrower of a Federal Direct
9 PLUS Loan made on behalf of a dependent
10 student or a Federal Direct Consolidation
11 Loan, if the proceeds of such loan were used to
12 discharge the liability on such Federal Direct
13 PLUS Loan or a loan under section 428B
14 made on behalf of a dependent student.

15 “(2) DESIGN AND SELECTION FOR NEW BOR-
16 ROWERS ON OR AFTER JULY 1, 2015.—The Secretary
17 shall offer a borrower of a loan made under this part
18 on or after July 1, 2015, the following plans for re-
19 payment of such loan, including principal and inter-
20 est on the loan. The borrower shall be entitled to ac-
21 celerate, without penalty, repayment on the bor-
22 rower’s loans under this part. The borrower may
23 choose—

1 “(A) a standard repayment plan, con-
2 sistent with subsection (a)(1) of this section
3 and with section 428(b)(9)(A)(i); or

4 “(B) a simplified income-driven repayment
5 plan, consistent with section 493E, except the
6 plan described in this subparagraph shall not be
7 available to a borrower of a Federal Direct
8 PLUS Loan made on behalf of a dependent
9 student, a Federal Direct Consolidation Loan,
10 if the proceeds of such loan were used to dis-
11 charge the liability on such Federal Direct
12 PLUS Loan or a loan under section 428B
13 made on behalf of a dependent student.

14 “(3) SELECTION BY SECRETARY.—If a bor-
15 rower of a loan made under this part does not select
16 a repayment plan described in paragraph (1) or (2),
17 the Secretary may provide the borrower with a re-
18 payment plan described in subparagraph (A), (B), or
19 (C) of paragraph (1) for borrowers before July 1,
20 2015, or a repayment plan described in subpara-
21 graph (A) or (B) of paragraph (2) for new bor-
22 rowers on or after July 1, 2015.

23 “(4) CHANGES IN SELECTIONS.—The borrower
24 of a loan made under this part may change the bor-
25 rower’s selection of a repayment plan under para-

1 graph (1) or (2), or the Secretary's selection of a
2 plan for the borrower under paragraph (3), as the
3 case may be, under such terms and conditions as
4 may be established by the Secretary.

5 “(5) ALTERNATIVE REPAYMENT PLANS.—The
6 Secretary may provide, on a case by case basis, an
7 alternative repayment plan to a borrower of a loan
8 made under this part on or after July 1, 2015, who
9 demonstrates to the satisfaction of the Secretary
10 that the terms and conditions of the repayment
11 plans available under paragraph (2) are not ade-
12 quate to accommodate the borrower's exceptional
13 circumstances. Upon request, the Secretary shall
14 make available for such borrowers repayment plans
15 described in subparagraphs (B) and (C) of para-
16 graph (1). In designing such alternative repayment
17 plans, the Secretary shall ensure that such plans do
18 not exceed the cost to the Federal Government, as
19 determined on the basis of the present value of fu-
20 ture payments by such borrowers, of loans made
21 using the plans available under paragraph (2).

22 “(6) REPAYMENT AFTER DEFAULT.—The Sec-
23 retary may require any borrower who has defaulted
24 on a loan made under this part to—

1 “(A) pay all reasonable collection costs as-
2 sociated with such loan; and

3 “(B) repay the loan pursuant to a repay-
4 ment plan described in subparagraph (A) or
5 (B) of paragraph (2).

6 “(7) APPLICABILITY PROVISION.—

7 “(A) IN GENERAL.—Except as provided in
8 paragraph (5) and subparagraph (B), the re-
9 payment plans under subparagraphs (B), (C),
10 (D), and (E) of paragraph (1) are not available
11 for a borrower who received the borrower’s first
12 disbursement of a Federal Direct Loan on or
13 after July 1, 2015.

14 “(B) EXCEPTION.—The repayment plans
15 available to a borrower of a Federal Direct
16 PLUS Loan made on behalf of a dependent
17 student on or after July 1, 2015, shall be those
18 described under subparagraphs (A), (B), and
19 (C) of paragraph (1).”; and
20 (2) in subsection (m)—

21 (A) in paragraph (1), in the matter pre-
22 ceding subparagraph (A), by striking “The Sec-
23 retary” and inserting “Except as provided in
24 paragraph (5), the Secretary”;

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

3 (C) by adding at the end the following:

4 “(5) SIMPLIFIED INCOME-DRIVEN REPAY-
5 MENT.—With respect to an eligible Federal Direct
6 Loan not in default made under this part on or after
7 July 1, 2015, the Secretary shall cancel the balance
8 of interest and principal due, in accordance with
9 paragraph (2), on any such loan for a borrower
10 who—

11 “(A) has made 120 monthly payments on
12 the eligible Federal Direct Loan under a sim-
13 plified income-driven repayment plan under
14 subsection (d)(2)(B);

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

17 “(C) has been employed in a public service
18 job during the period in which the borrower
19 makes each of the 120 payments described in
20 subparagraph (A).”.

21 **SEC. 4. AMENDMENTS TO THE INTERNAL REVENUE CODE.**

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

1 payment plans in a format that permits the bor-
2 rower to compare the current repayment plan with
3 alternative repayment plans; and
4 (3) offer to enroll such borrowers in alternative
5 plans, if eligible.