

114TH CONGRESS
2D SESSION

H. R. 4652

To amend the Higher Education Act of 1965 to codify the Revised Pay
As You Earn Repayment plan, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 29, 2016

Mr. TAKAI (for himself, Ms. JUDY CHU of California, Mr. HONDA, Ms. NORTON, Mr. BRADY of Pennsylvania, Ms. CLARKE of New York, Mr. BRENDAN F. BOYLE of Pennsylvania, Ms. MOORE, Mr. PALLONE, Ms. LEE, Mr. TED LIEU of California, Mrs. WATSON COLEMAN, Mr. NOLAN, Ms. SCHAKOWSKY, Mr. RANGEL, and Ms. JACKSON LEE) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Higher Education Act of 1965 to codify the
Revised Pay As You Earn 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 “Clarity in Lending for
5 Education and Repayment Act” or the “CLEAR Act”.

1 **SEC. 2. STREAMLINING REPAYMENT PLANS FOR NEW BOR-**
2 **ROWERS.**

3 Section 455 of the Higher Education Act of 1965 (20
4 U.S.C. 1087e) is amended by striking subsection (d) and
5 inserting the following:

6 “(d) REPAYMENT PLANS.—

7 “(1) DESIGN AND SELECTION FOR BORROWERS
8 BEFORE JULY 1, 2016.—With respect to a borrower
9 of a loan made under this part before July 1, 2016,
10 and consistent with criteria established by the Sec-
11 retary, the Secretary shall offer such borrower a va-
12 riety of plans for repayment of such loan, including
13 principal and interest on the loan. The borrower
14 shall be entitled to accelerate, without penalty, re-
15 payment on the borrower’s loans under this part.
16 The borrower may choose—

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

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

22 “(C) an extended repayment plan, con-
23 sistent with section 428(b)(9)(A)(iv), except
24 that the borrower shall annually repay a min-
25 imum amount determined by the Secretary in
26 accordance with section 428(b)(1)(L);

1 “(D) an income contingent repayment
2 plan, with varying annual repayment amounts
3 based on the income of the borrower, paid over
4 an extended period of time prescribed by the
5 Secretary, not to exceed 25 years, except that
6 the plan described in this subparagraph shall
7 not be available to the borrower of a Federal
8 Direct PLUS loan made on behalf of a depend-
9 ent student; and

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

22 “(2) DESIGN AND SELECTION FOR NEW BOR-
23 ROWERS ON OR AFTER JULY 1, 2016.—The Secretary
24 shall offer a borrower of a loan made under this part
25 on or after July 1, 2016, the following plans for re-

1 payment of such loan, including principal and inter-
2 est on the loan. The borrower shall be entitled to ac-
3 celerate, without penalty, repayment on the bor-
4 rower's loans under this part. The borrower may
5 choose—

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

9 “(B) a revised pay-as-you-earn repayment
10 plan, consistent with section 461, except the
11 plan described in this subparagraph shall not be
12 available to a borrower of a Federal Direct
13 PLUS Loan made on behalf of a dependent
14 student, a Federal Direct Consolidation Loan,
15 if the proceeds of such loan were used to dis-
16 charge the liability on such Federal Direct
17 PLUS Loan or a loan under section 428B
18 made on behalf of a dependent student.

19 “(3) BORROWER NON-SELECTION.—If a bor-
20 rower of a loan made under this part does not select
21 a repayment plan described in paragraph (1) or (2),
22 the Secretary may provide the borrower with a re-
23 payment plan described in subparagraph (A), (B), or
24 (C) of paragraph (1) for borrowers before July 1,

1 2016, or a repayment plan described in paragraph
2 (2)(A) for new borrowers on or after July 1, 2016.

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

10 “(5) ALTERNATIVE REPAYMENT PLANS.—The
11 Secretary may provide, on a case by case basis, an
12 alternative repayment plan to a borrower of a loan
13 made under this part on or after July 1, 2016, who
14 demonstrates to the satisfaction of the Secretary
15 that the terms and conditions of the repayment
16 plans available under paragraph (2) are not ade-
17 quate to accommodate the borrower’s exceptional
18 circumstances. Upon request, the Secretary shall
19 make available for such borrowers repayment plans
20 described in subparagraphs (B) and (C) of para-
21 graph (1). In designing such alternative repayment
22 plans, the Secretary shall ensure that such plans do
23 not exceed the cost to the Federal Government, as
24 determined on the basis of the present value of fu-

1 ture payments by such borrowers, of loans made
2 using the plans available under paragraph (2).

3 “(6) REPAYMENT AFTER DEFAULT.—For any
4 borrower who has defaulted on a loan made under
5 this part, the Secretary—

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

9 “(B) if such loan was made—

10 “(i) to any borrower who, before July
11 1, 2016, had an outstanding balance on a
12 student loan made, insured, or guaranteed
13 under this part or part B, may require the
14 borrower to repay the loan pursuant to an
15 income contingent repayment plan, as de-
16 scribed in paragraph (1)(D), or an income-
17 based repayment plan, as described in
18 paragraph (1)(E); or

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

23 “(7) APPLICABILITY PROVISION.—

24 “(A) IN GENERAL.—Except as provided in
25 paragraph (5) and subparagraph (B), the re-

payment plans under subparagraphs (B), (C), (D), and (E) of paragraph (1) are not available for a borrower who received the borrower's first disbursement of a Federal Direct Loan on or after July 1, 2016.

“(B) EXCEPTION.—The repayment plans available to a borrower of a Federal Direct PLUS Loan made on behalf of a dependent student or a Federal Direct Consolidation Loan whose proceeds were used to discharge the liability of a Federal Direct PLUS Loan made on behalf of a dependent student or a loan under section 428B made on behalf of a dependent student on or after July 1, 2016, shall be those described under subparagraphs (A), (B), and (C) of paragraph (1).”.

SEC. 3. REPAYE.

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

“SEC. 461. REPAYE.

“(a) DEFINITIONS.—

“(1) COVERED FEDERAL DIRECT LOAN.—The term ‘covered Federal Direct Loan’ means a Federal Direct Stafford Loan, a Federal Direct Unsubsidized

1 Stafford Loan, a Federal Direct Consolidation Loan
2 (other than an excepted consolidation loan), or a
3 Federal Direct PLUS Loan (other than an excepted
4 plus loan) made under this part.

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

7 “(A) as of July 1, 2016, has no out-
8 standing balance on a student loan made, in-
9 sured, or guaranteed under part B or D; or

10 “(B) has no outstanding balance on a stu-
11 dent loan made, insured, or guaranteed under
12 part B or D on the date the borrower receives
13 a loan made under part D on or after July 1,
14 2016.

15 “(3) EXCEPTED PLUS LOAN; EXCEPTED CON-
16 SOLIDATION LOAN.—The terms ‘excepted plus loan’
17 and ‘excepted consolidation loan’ have the meanings
18 given such terms in section 493C.

19 “(4) INCOME-DRIVEN CALCULATION.—

20 “(A) IN GENERAL.—The term ‘income-
21 driven calculation’—

22 “(i) when used with respect to an un-
23 married borrower 10 percent of the result
24 obtained by calculating, on at least an an-
25 nual basis, the amount by which—

1 “(I) the borrower’s adjusted
2 gross income, as defined by the Sec-
3 retary; exceeds

4 “(II) 150 percent of the poverty
5 line applicable to the borrower’s fam-
6 ily size as determined under section
7 673(2) of the Community Services
8 Block Grant Act (42 U.S.C. 9902(2));
9 and

10 “(ii) subject to subparagraph (B),
11 when used with respect to a married bor-
12 rower—

13 “(I) the difference between the
14 borrower’s and borrower’s spouse’s
15 adjusted gross income, as defined by
16 the Secretary; exceeds

17 “(II) 150 percent of the poverty
18 line applicable to the borrower’s fam-
19 ily size as determined under section
20 673(2) of the Community Services
21 Block Grant Act (42 U.S.C. 9902(2)).

22 “(B) EXCEPTION FOR CERTAIN MARRIED
23 BORROWERS.—The income-driven calculation
24 under subparagraph (A)(i) shall apply to a

1 married borrower who certifies, on a form ap-
2 proved by the Secretary that the borrower is—

3 “(i) separated from the borrower’s
4 spouse; or

5 “(ii) unable to reasonably access the
6 income information of the borrower’s
7 spouse.

8 “(b) REVISED PAY AS YOU EARN REPAYMENT PLAN
9 AUTHORIZED.—Notwithstanding any other provision of
10 this Act, the Secretary shall carry out a program for new
11 borrowers that meets the following requirements:

12 “(1) MONTHLY PAYMENT AMOUNT.—Except as
13 otherwise provided in this subsection, a new bor-
14 rower of any covered Federal Direct Loan may elect
15 to have the borrower’s aggregate monthly payment
16 for all such loans not to exceed the result of the in-
17 come-driven calculation divided by 12.

18 “(2) ADJUSTED MONTHLY PAYMENT
19 AMOUNT.—The Secretary adjusts the aggregate
20 monthly payment under paragraph (1), if—

21 “(A) in addition to covered Federal Direct
22 Loans, the borrower has an outstanding loan
23 made under part B (other than an excepted
24 PLUS Loan or an excepted consolidation loan),
25 in which case the Secretary determines the bor-

1 rower’s adjusted monthly payment by multi-
2 plying the aggregate monthly payment by the
3 percentage of the total outstanding principal
4 amount of the borrower’s covered Federal Di-
5 rect Loans;

6 “(B) the borrower and borrower’s spouse
7 have covered Federal Direct Loans and out-
8 standing loans under part B (other than an ex-
9 cepted PLUS Loan or an excepted consolidation
10 loan), in which case the Secretary determines—

11 “(i) each borrower’s percentage of the
12 couple’s total outstanding amount of prin-
13 cipal on such loans;

14 “(ii) the adjusted monthly payment
15 for each borrower by multiplying the bor-
16 rower’s aggregate monthly payment by the
17 percentage determined under clause (i) ap-
18 plicable to the borrower; and

19 “(iii) if the borrower’s loans are held
20 by multiple holders, the borrower’s ad-
21 justed monthly payment for covered Fed-
22 eral Direct Loans by multiplying the ad-
23 justed monthly payment determined under
24 clause (ii) by the percentage of the total

1 outstanding principal amount of the bor-
2 rower's covered Federal Direct Loans;

3 “(C) the calculated monthly payment
4 amount under paragraph (1) or this paragraph
5 is less than \$5.00, in which case the borrower's
6 monthly payment is \$0.00; or

7 “(D) the calculated monthly payment
8 amount under paragraph (1) or this paragraph
9 or is equal to or greater than \$5.00 but less
10 than \$10.00, in which case the borrower's
11 monthly payment is \$10.00.

12 “(3) ACCRUED INTEREST.—

13 “(A) IN GENERAL.—If the borrower's
14 monthly payment amount under paragraph (1)
15 or (2) is not sufficient to pay the accrued inter-
16 est on the borrower's loan—

17 “(i) for a Federal Direct Stafford
18 Loan or the portion of a Federal Direct
19 Consolidation Loan attributable to a Fed-
20 eral Direct Stafford Loan—

21 “(I) the Secretary does not
22 charge the borrower the remaining ac-
23 crued interest for a period not to ex-
24 ceed 3 consecutive years beginning at

1 the start of repayment period on such
2 loan under this repayment plan; and

3 “(II) after the three-year period,
4 the Secretary charges the borrower 50
5 percent of the remaining accrued in-
6 terest on such loan or such portion of
7 a Federal Direct Consolidation Loan;
8 and

9 “(ii) for a Federal Direct Unsub-
10 sidized Stafford Loan, a Federal Direct
11 PLUS Loan made to a graduate or profes-
12 sional student, or the portion of a Federal
13 Direct Consolidation Loan attributable to
14 a Federal Direct Unsubsidized Stafford
15 Loan, or for a Federal Direct Subsidized
16 Loan or the portion of a Federal Direct
17 Consolidation Loan attributable to a Fed-
18 eral Direct Stafford Loan for which the
19 borrower has become responsible for accru-
20 ing interest in accordance with section
21 455(q)(2), the Secretary charges the bor-
22 rower 50 percent of the remaining accrued
23 interest.

24 “(B) THREE-YEAR PERIOD DEFINED.—

25 The three-year period described in subpara-

1 graph (A)(i) does not include any period during
2 which the borrower receives an economic hard-
3 ship deferment.

4 “(C) CAPITALIZATION OF ACCRUED INTER-
5 EST.—

6 “(i) TIMING.—Accrued interest is cap-
7 italized at the time a borrower leaves the
8 program under this section.

9 “(ii) CAPITALIZATION.—

10 “(I) LIMITATION.—The amount
11 of accrued interest capitalized under
12 clause (i)(I) is limited to 10 percent of
13 the original principal balance at the
14 time the borrower entered repayment
15 under the plan under this section.

16 “(II) PARTICIPATION.—After the
17 amount of accrued interest reaches
18 the limit described in subclause (I),
19 interest continues to accrue, but is not
20 capitalized while the borrower partici-
21 pates in the plan under this section.

22 “(4) POSTPONEMENT OF PRINCIPAL PAY-
23 MENT.—If the borrower’s monthly payment amount
24 is not sufficient to pay any of the principal due, the

1 payment of that principal is postponed until the bor-
2 rower leaves the plan under this section.

3 “(5) SELECTION OF DIFFERENT REPAYMENT
4 PLAN.—A borrower who no longer wishes to repay
5 under the plan under this section may change to a
6 standard repayment plan in accordance with section
7 455(d)(3).

8 “(6) PAYMENT APPLICATION AND PREPAY-
9 MENT.—

10 “(A) IN GENERAL.—The Secretary applies
11 any payment made under the program under
12 this section in the following order:

13 “(i) Accrued interest.

14 “(ii) Collection costs.

15 “(iii) Late charges.

16 “(iv) Loan principal.

17 “(B) PREPAYMENT AUTHORIZED.—The
18 borrower may prepay all or part of a loan at
19 any time without penalty, as authorized under
20 section 455(d)(1).

21 “(C) APPLICATION OF PREPAYMENT.—If
22 the prepayment amount equals or exceeds—

23 “(i) a monthly payment amount of
24 \$10.00 or more under the repayment
25 schedule established for the loan, the Sec-

retary applies the prepayment consistent
with the requirements of section 455(d)(1);
or

“(ii) a monthly payment amount of
\$0.00 under the repayment schedule estab-
lished for the loan, the Secretary applies
the prepayment consistent with the re-
quirements of subparagraph (A).

“(7) ELIGIBILITY DOCUMENTATION,
VERIFICATION, AND NOTIFICATIONS.—

“(A) DOCUMENTATION.—

“(i) AGI.—The Secretary requires the
borrower to provide documentation, accept-
able to the Secretary, of the borrower’s ad-
justed gross income.

“(ii) OTHER DOCUMENTATION.—If
the borrower’s adjusted gross income is not
available, or if the Secretary believes that
the borrower’s reported adjusted gross in-
come does not reasonably reflect the bor-
rower’s current income, the borrower must
provide other documentation to verify in-
come.

“(iii) FAMILY SIZE.—Unless otherwise
directed by the Secretary, the borrower

1 must annually certify the borrower's family
2 size. If the borrower fails to certify family
3 size, the Secretary assumes a family size of
4 one for the applicable year.

5 “(B) NOTIFICATIONS.—

6 “(i) IN GENERAL.—Each year that
7 the borrower participates in the program
8 under this section, the Secretary sends the
9 borrower a written notification that pro-
10 vides the borrower with—

11 “(I) the borrower's monthly pay-
12 ment amount, as calculated under
13 paragraph (1) or (2), and the time pe-
14 riod during which such monthly pay-
15 ment amount will apply (annual pay-
16 ment period);

17 “(II) information about the re-
18 quirement for the borrower to annu-
19 ally provide the information described
20 in subparagraph (A), and an expla-
21 nation that the borrower will be noti-
22 fied in advance of the date by which
23 the Secretary must receive this infor-
24 mation;

1 “(III) an explanation of the con-
2 sequences, as described under sub-
3 paragraph (E), if the borrower does
4 not provide the required information;
5 and

6 “(IV) information about the bor-
7 rower’s option to request, at any time
8 during the borrower’s annual payment
9 period, that the Secretary recalculate
10 the borrower’s monthly payment
11 amount if the borrower’s financial cir-
12 cumstances have changed and the in-
13 come amount that was used to cal-
14 culate the borrower’s current monthly
15 payment no longer reflects the bor-
16 rower’s current income.

17 “(ii) RECALCULATION.—If the Sec-
18 retary recalculates the borrower’s monthly
19 payment amount based on the borrower’s
20 request, the Secretary sends the borrower
21 a written notification that includes the in-
22 formation described in this subparagraph.

23 “(C) SUBSEQUENT YEARS.—

24 “(i) IN GENERAL.—For each year fol-
25 lowing the first year in which a borrower

1 participating in the plan under this sec-
2 tion, the Secretary notifies the borrower in
3 writing of the requirements of subpara-
4 graph (A) not later than 60 days and not
5 earlier than 90 days prior to the date spec-
6 ified in clause (ii)(I).

7 “(ii) CONTENTS.—The notification
8 under clause (i) shall provide the borrower
9 with—

10 “(I) the date, no earlier than 35
11 days before the end of the borrower’s
12 annual payment period, by which the
13 Secretary must receive all of the docu-
14 mentation described in subparagraph
15 (A) (annual deadline); and

16 “(II) the consequences if the Sec-
17 retary does not receive the informa-
18 tion within 10 days following the an-
19 nual deadline specified in the notice,
20 as described under subparagraph (E).

21 “(D) NO DOCUMENTATION PROVIDED.—If
22 a borrower who is currently repaying under the
23 standard repayment plan elects the plan under
24 this section but does not provide the docu-
25 mentation described in subparagraph (A), the

1 borrower remains on such standard repayment
2 plan.

3 “(E) ALTERNATE REPAYMENT PLAN.—

4 “(i) IN GENERAL.—If a borrower who
5 is currently repaying under the plan under
6 this section elects to participate in such
7 program for a subsequent year but the
8 Secretary does not receive the documenta-
9 tion described in subparagraph (A) not
10 later than 10 days after the specified an-
11 nual deadline, the Secretary removes the
12 borrower from the plan and places the bor-
13 rower on an alternative repayment plan
14 under which the borrower’s required
15 monthly payment is the amount necessary
16 to repay the borrower’s eligible loans in
17 full within the earlier of—

18 “(I) 10 years from the date the
19 borrower begins repayment under the
20 alternative repayment plan; or

21 “(II) the ending date of the 20-
22 year period as described in paragraph
23 (8)(A)(i)(II).

24 “(ii) NOTIFICATION.—If the Secretary
25 places the borrower on an alternative re-

1 payment plan in accordance with clause
2 (i), the Secretary sends the borrower a
3 written notification informing the borrower
4 that—

5 “(I) the borrower has been
6 placed on an alternative repayment
7 plan;

8 “(II) the borrower’s monthly pay-
9 ment amount has been recalculated
10 under clause (i); and

11 “(III) the borrower may change
12 to the standard repayment plan in ac-
13 cordance with section 455(d)(3).

14 “(iii) RETURN TO PROGRAM.—A bor-
15 rower who has been removed from the plan
16 under this section or changes to the stand-
17 ard repayment plan may return to the plan
18 under this section if the borrower provides
19 the documentation under subparagraph
20 (A), necessary for the Secretary to cal-
21 culate the borrower’s current monthly pay-
22 ment amount and the monthly amount the
23 borrower would have been required to pay
24 under the plan during the period when the

1 borrower was on the alternative repayment
2 plan or the standard repayment plan.

3 “(iv) ADJUSTMENT OF MONTHLY PAY-
4 MENT AMOUNT.—If the Secretary deter-
5 mines that the total amount of the pay-
6 ments the borrower was required to make
7 while on the alternative repayment plan or
8 the standard repayment plan are less than
9 the total amount the borrower would have
10 been required to make under the program
11 during that period, the Secretary will ad-
12 just the borrower’s monthly payment
13 amount to ensure that the difference be-
14 tween the two amounts is paid in full by
15 the end of the 20-year period described in
16 paragraph (8)(A)(i)(II).

17 “(v) APPLICATION OF LOAN FORGIVE-
18 NESS.—If the borrower returns to the plan
19 under this section, any payments that the
20 borrower made under the alternative re-
21 payment plan after the borrower was re-
22 moved from the plan shall count towards
23 forgiveness under the plan under this sec-
24 tion.

1 “(vi) PSLF.—Payments made under
2 the alternative repayment plan described in
3 clause (i) will not count towards public
4 service loan forgiveness under section
5 455(m).

6 “(vii) EXCEPTION.—The Secretary
7 does not take the action described in clause
8 (i) if the Secretary receives the documenta-
9 tion described in subparagraph (A) more
10 than 10 days after the specified annual
11 deadline, but is able to determine the bor-
12 rower’s new monthly payment amount be-
13 fore the end of the borrower’s current an-
14 nual payment period.

15 “(viii) MONTHLY PAYMENT
16 AMOUNT.—If the Secretary receives the
17 documentation described in subparagraph
18 (A) within 10 days of the specified annual
19 deadline—

20 “(I) the Secretary promptly de-
21 termines the borrower’s new scheduled
22 monthly payment amount and main-
23 tains the borrower’s current scheduled
24 monthly payment amount until the

1 new scheduled monthly payment
2 amount is determined;

3 “(II) if the new monthly payment
4 amount is less than the borrower’s
5 previously calculated plan monthly
6 payment amount, and the borrower
7 made payments at the previously cal-
8 culated amount after the end of the
9 most recent annual payment period—

10 “(aa) the Secretary makes
11 the appropriate adjustment to
12 the borrower’s account; and

13 “(bb) unless the borrower
14 requests otherwise, the Secretary
15 applies the excess payment
16 amounts made after the end of
17 the most recent annual payment
18 period in accordance with the re-
19 quirements of paragraph (6)(A);

20 “(III) if the new monthly pay-
21 ment amount is equal to or greater
22 than the borrower’s previously cal-
23 culated monthly payment amount, and
24 the borrower made payments at the
25 previously calculated payment amount

1 after the end of the most recent an-
2 nual payment period, the Secretary
3 does not make any adjustment to the
4 borrower's account;

5 “(IV) any payments that the bor-
6 rower continued to make at the pre-
7 viously calculated payment amount
8 after the end of the prior annual pay-
9 ment period and before the new
10 monthly payment amount is calculated
11 are considered to be qualifying pay-
12 ments for purposes of public service
13 loan forgiveness under section
14 455(m), provided that the payments
15 otherwise meet the requirements de-
16 scribed in such section 455(m); and

17 “(V) the new annual payment pe-
18 riod begins on the day after the end
19 of the most recent annual payment
20 period.

21 “(8) LOAN FORGIVENESS.—

22 “(A) IN GENERAL.—

23 “(i) CANCELLATION.—The Secretary
24 cancels any remaining outstanding balance
25 of principal and accrued interest on a bor-

1 rower’s covered Federal Direct Loans that
2 are being repaid under the plan under this
3 section after—

4 “(I) the borrower has made the
5 equivalent of 240 qualifying monthly
6 payments as defined in subparagraph
7 (B); and

8 “(II) 20 years have elapsed, be-
9 ginning on the date determined in ac-
10 cordance with subparagraph (C).

11 “(ii) DETERMINATION.—The Sec-
12 retary determines when a borrower has
13 met the loan forgiveness requirements
14 under clause (i) and does not require the
15 borrower to submit a request for loan for-
16 giveness.

17 “(B) QUALIFYING MONTHLY PAYMENT DE-
18 FINED.—

19 “(i) IN GENERAL.—For purposes of
20 this paragraph, a qualifying monthly pay-
21 ment is—

22 “(I) a monthly payment under
23 the plan under this section, including
24 a monthly payment amount of \$0.00,
25 as provided under paragraph (2)(C);

1 “(II) a monthly payment made
2 under the standard repayment plan
3 under section 455(d)(2)(A); or

4 “(III) a month during which the
5 borrower was not required to make a
6 payment due to receiving an economic
7 hardship deferment on the borrower’s
8 covered Federal Direct Loans.

9 “(ii) DEFAULTED LOANS EX-
10 CLUDED.—Any payments made on a de-
11 faulted loan are not qualifying monthly
12 payments and are not counted toward the
13 20-year forgiveness period.

14 “(C) DETERMINATION OF BEGINNING
15 DATE.—For a borrower who qualifies for the
16 program under this section, the beginning date
17 for the 20-year repayment period is—

18 “(i) for a borrower who has a Federal
19 Direct Consolidation Loan, the date the
20 borrower made a qualifying monthly pay-
21 ment on the consolidation loan, before the
22 date the borrower qualified for the pro-
23 gram plan under this section;

24 “(ii) for a borrower who has one or
25 more other covered Federal Direct Loans,

1 the date the borrower made a qualifying
2 monthly payment on that loan, before the
3 date the borrower qualified for the plan
4 under this section;

5 “(iii) for a borrower who did not make
6 a qualifying monthly payment under clause
7 (i) or (ii), the date the borrower made a
8 payment on the borrower’s covered Federal
9 Direct Loans under the plan under this
10 section;

11 “(iv) if the borrower consolidates the
12 borrower’s loans under this title, the date
13 the borrower made a qualifying monthly
14 payment on the Federal Direct Consolida-
15 tion Loan; or

16 “(v) if the borrower did not make a
17 qualifying monthly payment on the loan
18 under clauses (i) through (iv), the date the
19 borrower made a payment on the loan
20 under the plan under this section.

21 “(D) NOTIFICATION.—

22 “(i) PRIOR TO LOAN CANCELLA-
23 TION.—Not later than 6 months prior to
24 the anticipated date that the borrower will
25 meet the forgiveness requirements, the

1 Secretary sends the borrower a written no-
2 tice that includes—

3 “(I) an explanation that the bor-
4 rower is approaching the date that the
5 borrower is expected to meet the re-
6 quirements to receive loan forgiveness;

7 “(II) a reminder that the bor-
8 rower must continue to make the bor-
9 rower’s scheduled monthly payments;
10 and

11 “(III) general information on the
12 current treatment of the forgiveness
13 amount for tax purposes, and instruc-
14 tions for the borrower to contact the
15 Internal Revenue Service for more in-
16 formation.

17 “(ii) AFTER LOAN CANCELLATION.—
18 After determining that a borrower has sat-
19 isfied the loan forgiveness requirements,
20 the Secretary—

21 “(I) notifies the borrower that
22 the borrower’s obligation on the loans
23 is satisfied;

1 “(II) provides the borrower with
 2 the information described in clause
 3 (i)(III); and
 4 “(III) returns to the sender any
 5 payment received on a loan after loan
 6 forgiveness has been granted.”.

7 **SEC. 4. DISCLOSURES.**

8 Section 455(p) of the Higher Education Act of 1965
 9 (20 U.S.C. 1087e(p)) is amended—

10 (1) by striking “Each institution” and inserting
 11 the following:

12 “(1) IN GENERAL.—Each institution”; and

13 “(2) CONSULTATION.—The Secretary shall reg-
 14 ularly consult with current and prospective college
 15 students, family members of such students, institu-
 16 tions of higher education, and other experts to im-
 17 prove the usefulness and relevance of the disclosures
 18 described in paragraph (1).”.

19 **SEC. 5. EXCLUSION OF CERTAIN STUDENT LOAN DIS-**
 20 **CHARGE BY REASON OF DEATH OR DIS-**
 21 **ABILITY.**

22 (a) IN GENERAL.—Section 108(f)(1) of the Internal
 23 Revenue Code of 1986 is amended—

24 (1) by striking the period at the end and insert-
 25 ing “, or”,

1 (2) by striking “if such discharge was pursuant
2 to a provision” and inserting the following: “if such
3 discharge was pursuant to—

4 “(A) a provision”, and

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

6 “(B) section 437(a) of the Higher Edu-
7 cation Act of 1965.”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to discharges of indebtedness after
10 the date of the enactment of this Act.

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