

114TH CONGRESS
2D SESSION

S. 2456

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

JANUARY 20, 2016

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.

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 “Dynamic Repayment
5 Act of 2016”.

1 **SEC. 2. TERMINATION OF AUTHORITY TO MAKE FEDERAL**
 2 **DIRECT STAFFORD LOANS, FEDERAL DIRECT**
 3 **UNSUBSIDIZED STAFFORD LOANS, AND FED-**
 4 **ERAL DIRECT PLUS LOANS TO STUDENTS**
 5 **UNDER THE WILLIAM D. FORD FEDERAL DI-**
 6 **RECT LOAN PROGRAM.**

7 Section 455(a) of the Higher Education Act of 1965
 8 (20 U.S.C. 1087e(a)) is amended by adding at the end
 9 the following:

10 “(4) TERMINATION OF AUTHORITY TO MAKE
 11 FEDERAL DIRECT STAFFORD LOANS, FEDERAL DI-
 12 RECT UNSUBSIDIZED STAFFORD LOANS, AND FED-
 13 ERAL DIRECT PLUS LOANS TO STUDENTS UNDER
 14 THIS PART.—

15 “(A) IN GENERAL.—Notwithstanding any
 16 provision of this part or part B, for any period
 17 of instruction beginning on or after July 1,
 18 2017—

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

22 “(ii) a student shall not be eligible to
 23 receive a Federal Direct Unsubsidized
 24 Stafford Loan or Federal Direct PLUS
 25 Loan under this part, except as provided in
 26 subparagraph (B).

1 “(B) EXCEPTIONS.—Subparagraph (A)(ii)
 2 shall not be applicable with respect to the fol-
 3 lowing:

4 “(i) EXISTING STUDENT BOR-
 5 ROWERS.—A student who, as of July 1,
 6 2017, has an outstanding balance of prin-
 7 cipal or interest owing on any loan made,
 8 insured, or guaranteed under part B or
 9 this part may continue to be eligible to
 10 borrow a loan under this part, except for
 11 a Federal Direct Stafford Loan, in accord-
 12 ance with subparagraph (C) until June 30,
 13 2019.

14 “(ii) PARENT PLUS LOANS.—An ex-
 15 cepted PLUS loan or excepted consolida-
 16 tion loan (as such terms are defined in sec-
 17 tion 493C(a)) under this part that is made
 18 to a parent on behalf of an undergraduate
 19 dependent student.

20 “(iii) FEDERAL DIRECT CONSOLIDA-
 21 TION LOANS.—A Federal Direct Consolida-
 22 tion Loan under this part.

23 “(C) MAXIMUM ANNUAL AMOUNTS OF
 24 FEDERAL DIRECT UNSUBSIDIZED STAFFORD
 25 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

1 the Secretary, to enable such students to pursue
2 their courses of study at such institutions beginning
3 July 1, 2017. Loans made under this part shall be
4 made by participating institutions, or consortia
5 thereof, that have agreements with the Secretary to
6 originate loans, or by alternative originators des-
7 ignated by the Secretary to make loans for students
8 in attendance at participating institutions.

9 “(2) DESIGNATION.—The program established
10 under this subpart shall be referred to as the ‘In-
11 come Dependent Education Assistance Loan Pro-
12 gram’, or the ‘IDEA Loan Program’.

13 “(b) FUNDS FOR THE ORIGINATION OF IDEA
14 LOANS.—The Secretary shall provide funds for student
15 loans under this part in the same manner as the Secretary
16 provided funds for the origination of Federal Direct Stu-
17 dent Loans under part D in accordance with section 452
18 on the day before the date of enactment of the Dynamic
19 Repayment Act of 2016. The requirements, rights, and
20 limitations with respect to the Secretary and institutions
21 for funds provided for loans under part D on the day be-
22 fore the date of enactment of the Dynamic Repayment Act
23 of 2016 shall apply with respect to the Secretary and insti-
24 tutions for funds provided for loans under this part, except

1 that funds under this part shall not be provided for parent
2 loans.

3 “(c) SELECTION OF INSTITUTIONS FOR PARTICIPA-
4 TION AND ORIGINATION, AND AGREEMENTS WITH INSTI-
5 TUTIONS.—

6 “(1) SELECTION OF INSTITUTIONS FOR PAR-
7 TICIPATION AND ORIGINATION.—The Secretary shall
8 enter into agreements with institutions of higher
9 education to participate in the IDEA Loan Program
10 under this part and agreements with institutions of
11 higher education, or consortia thereof, to originate
12 loans in such program for academic years beginning
13 on or after July 1, 2017. The provisions of section
14 453 as in effect on the day before the date of enact-
15 ment of the Dynamic Repayment Act of 2016 shall
16 apply with respect to agreements under this section.
17 The Secretary shall provide alternative origination
18 services for loans under this part, as appropriate, in
19 a manner consistent with the provisions of sections
20 453 and 456 as in effect on the day before the date
21 of enactment of the Dynamic Repayment Act of
22 2016 related to alternative origination services for
23 loans under part D.

24 “(2) PARTICIPATION AND ORIGINATION AGREE-
25 MENTS WITH INSTITUTIONS.—An agreement with

1 any institution of higher education for participation
 2 in the IDEA Loan Program under this part, and an
 3 agreement with any institution of higher education,
 4 or consortia thereof, to originate loans in such pro-
 5 gram, shall have the same terms as the terms re-
 6 quired under section 454 as in effect on the day be-
 7 fore the date of enactment of the Dynamic Repay-
 8 ment Act of 2016 for agreements with an institution
 9 for participation or origination, respectively, in the
 10 student loan program under part D, except that
 11 agreements for participation or origination under
 12 this part shall not apply to parent loans.

13 “(3) WITHDRAWAL AND TERMINATION PROCE-
 14 DURES.—The Secretary shall establish procedures by
 15 which institutions or consortia may withdraw or be
 16 terminated from the program under this part.

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

18 “(a) PARALLEL TERMS, CONDITIONS, BENEFITS,
 19 AND AMOUNTS.—Unless otherwise specified in this part,
 20 Income Dependent Education Assistance Loans (referred
 21 to in this part as ‘IDEA Loans’) made to borrowers under
 22 this part shall have the same terms, conditions, and bene-
 23 fits, and be available in the same amounts, as Federal Di-
 24 rect Unsubsidized Stafford Loans made to borrowers
 25 under part D, and first disbursed on the day before the

1 date of enactment of the Dynamic Repayment Act of
2 2016.

3 “(b) ELIGIBLE BORROWERS.—

4 “(1) IN GENERAL.—In addition to the require-
5 ments of section 484, to be eligible to receive a loan
6 (other than an IDEA Consolidation Loan) under
7 this part, a borrower—

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

15 “(B) in the case of an individual with an
16 outstanding balance of principal or interest
17 owing on any loan described in subparagraph
18 (A), shall consolidate all such existing loans
19 into an IDEA Consolidation Loan under section
20 499C.

21 “(2) ONLY STUDENT BORROWERS ELIGIBLE.—
22 For purposes of this part, the term ‘borrower’ shall
23 not include a parent borrower.

24 “(c) ANNUAL AND AGGREGATE LIMITS.—

1 “(1) IN GENERAL.—Subject to paragraph (2),
 2 the maximum annual amount of IDEA Loans in any
 3 academic year (as defined in section 481(a)(2)) or
 4 its equivalent, and the maximum aggregate amount
 5 of IDEA Loans that a student may borrow, shall be
 6 the maximum annual amounts and maximum aggregate
 7 amounts, respectively, of Federal Direct Unsub-
 8 sidized Stafford Loans under part D that such stu-
 9 dent would have been eligible to borrow in the ab-
 10 sence of section 455(a)(4), as added by the Dynamic
 11 Repayment Act of 2016.

12 “(2) GRADUATE AND PROFESSIONAL STUDENTS
 13 ELIGIBLE FOR PLUS LOANS.—In the case of a grad-
 14 uate or professional student who would have been el-
 15 igible to borrow a Federal Direct PLUS Loan under
 16 part D in the absence of section 455(a)(4), as added
 17 by the Dynamic Repayment Act of 2016, the max-
 18 imum annual amounts and maximum aggregate
 19 amounts, respectively, of IDEA Loans that such a
 20 student may borrow as determined under paragraph
 21 (1) for any academic year (as defined in section
 22 481(a)(2)) or its equivalent, may be increased to an
 23 amount equal to the maximum annual amounts and
 24 maximum aggregate amounts, respectively, of Fed-
 25 eral Direct PLUS Loans that such student would

1 have been eligible to borrow in the absence of such
 2 section 455(a)(4).

3 “(d) LOAN FEE.—The Secretary shall charge the
 4 borrower of a loan (other than an IDEA Consolidation
 5 Loan) made under this part an origination fee. Such fee
 6 shall be the sum of—

7 “(1) for the portion of the principal amount of
 8 the loan that is equal to (or less than) the maximum
 9 annual amount a student may borrow under sub-
 10 section (c)(1), 1.0 percent of such portion of the
 11 principal amount of the loan; plus

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

17 “(e) INTEREST RATES.—

18 “(1) UNDERGRADUATE STUDENTS.—With re-
 19 spect to IDEA Loans made to undergraduate stu-
 20 dents for which the first disbursement is made on or
 21 after July 1, 2017, the applicable rate of interest
 22 shall, during any 12-month period beginning on July
 23 1 and ending on June 30, be determined on the pre-
 24 ceding June 1 and be equal to the lesser of—

1 “(A) a rate equal to the high yield of the
2 10-year Treasury note auctioned at the final
3 auction held prior to such June 1, plus 2.05
4 percent; or

5 “(B) 8.25 percent.

6 “(2) GRADUATE AND PROFESSIONAL STU-
7 DENTS.—With respect to IDEA Loans made to
8 graduate or professional students for which the first
9 disbursement is made on or after July 1, 2017, the
10 applicable rate of interest shall, during any 12-
11 month period beginning on July 1 and ending on
12 June 30, be determined on the preceding June 1
13 and be equal to the lesser of—

14 “(A) the rate determined under paragraph
15 (1)(A), except that ‘3.6 percent’ shall be sub-
16 stituted for ‘2.05 percent’ in such determina-
17 tion; or

18 “(B) 9.25 percent.

19 “(3) CONSULTATION.—The Secretary shall de-
20 termine the applicable rate of interest under para-
21 graphs (1) and (2) after consultation with the Sec-
22 retary of the Treasury and shall publish such rate
23 in the Federal Register as soon as practicable after
24 the date of determination.

1 “(4) APPLICATION OF INTEREST RATE DURING
2 THE LIFE OF THE LOAN.—

3 “(A) IN-SCHOOL DEFERMENT PERIOD.—

4 Interest shall accrue and be capitalized or paid
5 by the borrower (but periodic installments of
6 principal need not be paid) during the in-school
7 deferment period with respect to an IDEA
8 Loan. For the purposes of this part, the in-
9 school deferment period with respect to an
10 IDEA Loan is the first period during which the
11 borrower is pursuing at least one-half the nor-
12 mal full-time academic workload (as determined
13 by the institution) in the course of study for
14 which the borrower received such loan and end-
15 ing on the first day of the first month that be-
16 gins after the borrower ceases to carry at least
17 one-half the normal full-time academic workload
18 (as determined by the institution) in the course
19 of study.

20 “(B) GRACE AND REPAYMENT PERIODS.—

21 Interest that accrues during the borrower’s
22 grace period (for the purposes of this title, de-
23 fined as the period between the borrower’s in-
24 school deferment period and the borrower’s re-

1 payment period) and during the borrower’s re-
2 payment period shall not be capitalized.

3 “(f) ARMED FORCES STUDENT LOAN INTEREST
4 PAYMENT PROGRAM.—Using funds received by transfer to
5 the Secretary under section 2174(f)(2) of title 10, United
6 States Code, the Secretary shall pay the interest on a loan
7 made under this part to a member of the Armed Forces
8 as due for a period not in excess of 36 consecutive months.
9 The Secretary may not pay interest on such a loan out
10 of any funds other than funds that have been so trans-
11 ferred.

12 “(g) NO ACCRUAL OF INTEREST FOR ACTIVE DUTY
13 SERVICE MEMBERS.—

14 “(1) IN GENERAL.—Notwithstanding any other
15 provision of this part and in accordance with para-
16 graphs (2) and (4), interest shall not accrue for an
17 eligible military borrower on a loan made under this
18 part for which the first disbursement is made on or
19 after July 1, 2017.

20 “(2) IDEA CONSOLIDATION LOANS.—In the
21 case of any IDEA Consolidation loan made under
22 this part that is disbursed on or after July 1, 2017,
23 interest shall not accrue pursuant to this subsection
24 only on such portion of such loan as was used to

1 repay a loan made under part D for which the first
2 disbursement is made on or after October 1, 2008.

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

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

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

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

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

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

23 “(i) LOAN FORGIVENESS.—A loan made under this
24 part shall be eligible for loan forgiveness under the fol-
25 lowing conditions:

1 “(1) After 20 years of payments pursuant to
 2 section 499F for borrowers who begin repayment
 3 with an outstanding balance of principal and interest
 4 that is less than the maximum aggregate amount of
 5 IDEA Loans that an undergraduate student may
 6 borrow as provided under subsection (c).

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

14 **“SEC. 499C. IDEA CONSOLIDATION LOANS.**

15 “(a) IDEA CONSOLIDATION LOANS.—

16 “(1) IN GENERAL.—Except as otherwise pro-
 17 vided in this section, an IDEA Consolidation Loan
 18 under this section shall have the same terms, condi-
 19 tions, and benefits as IDEA Loans made under this
 20 part.

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

24 “(A) shall—

1 “(i) meet the criteria described in sec-
 2 tion 428C(a)(3)(A); and

3 “(ii) in the case of a borrower de-
 4 scribed in section 499B(b)(1)(B), agree to
 5 consolidate into an IDEA Consolidation
 6 Loan all loans made to the borrower that
 7 are described in subparagraphs (A) and
 8 (C) of section 428C(a)(4) (other than an
 9 excepted PLUS loan or an excepted con-
 10 solidation loan (as such terms are defined
 11 in section 493C(a)));

12 “(B) may consolidate the loans described
 13 in subparagraphs (B), (D), and (E) of section
 14 428C(a)(4) into such IDEA Consolidation
 15 Loan; and

16 “(C) may not consolidate an IDEA Loan
 17 made under section 499B into such IDEA Con-
 18 solidation Loan.

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

22 “(A) shall ensure that—

23 “(i) each IDEA Consolidation Loan
 24 will be made, notwithstanding any other
 25 provision of this title limiting the annual or

1 aggregate principal amount for all loans
 2 made to the borrower, in an amount that
 3 is equal to the sum of the unpaid principal,
 4 interest, penalties, and fees of all loans re-
 5 ceived by the borrower which are selected
 6 by the borrower for consolidation under
 7 this section; and

8 “(ii) the proceeds of each IDEA Con-
 9 solidation Loan will be paid by the Sec-
 10 retary to the holder or holders of the loans
 11 being consolidated to discharge the liability
 12 on such loans;

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

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

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

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

24 “(C) shall disclose to a prospective bor-
 25 rower, in simple and understandable terms, at

1 the time the Secretary provides an application
2 for an IDEA Consolidation Loan—

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

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

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

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

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

21 “(cc) the periods during
22 which the borrower’s student
23 loan repayments are deferred
24 under section 464(c)(2);

1 “(II) that if a borrower includes
2 a Federal Perkins Loan in the con-
3 solidation loan, the borrower will no
4 longer be eligible for cancellation of
5 part or all of the Federal Perkins
6 Loan under section 465(a); and

7 “(III) the occupations listed in
8 section 465 that qualify for Federal
9 Perkins Loan cancellation under sec-
10 tion 465(a);

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

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

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

19 “(b) INTEREST RATE.—Notwithstanding section
20 499B(e), an IDEA Consolidation Loan for which the ap-
21 plication is received on or after July 1, 2017, shall bear
22 interest at an annual rate on the unpaid principal balance
23 of the loan that is equal to the weighted average of the
24 interest rates on the loans consolidated, rounded to the
25 nearest higher one-eighth of one percent. Interest that ac-

1 crues on such an IDEA Consolidation Loan shall not be
2 capitalized.

3 **“Subpart 2—IDEA Loan Repayment Program**

4 **“CHAPTER 1—ESTABLISHMENT OF THE**
5 **IDEA LOAN REPAYMENT PROGRAM**

6 **“SEC. 499D. DUTIES OF THE SECRETARY OF THE TREAS-**
7 **URY.**

8 “(a) IN GENERAL.—As part of the IDEA Loan Re-
9 payment Program established under this subpart, the Sec-
10 retary of the Treasury shall, with respect to each indi-
11 vidual for whom a loan made under this part is in repay-
12 ment status during a taxable year, transmit to the Sec-
13 retary of Education—

14 “(1) in the case of such an individual who files
15 an income tax return for such taxable year, such tax
16 information as is necessary to determine the individ-
17 ual’s income-based repayment obligation under sec-
18 tion 499E; and

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

1 “(b) ADDITIONAL PROGRAM REQUIREMENTS.—The
 2 Secretary of the Treasury shall establish such other poli-
 3 cies, procedures, and guidance as may be necessary to
 4 carry out the purposes of this subpart, including measures
 5 to prevent underreporting and evasion of repayment or fil-
 6 ing.

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

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

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

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

23 “(3) ANNUAL STATEMENTS.—Upon calculating
 24 the annual repayment amounts under paragraph (1)
 25 for a taxable year, the Secretary shall provide a

1 statement, on an annual basis, to each borrower
2 with a loan made under this part, which lists the fol-
3 lowing:

4 “(A) Total payments made on the bor-
5 rower’s annual repayment amount for such tax-
6 able year.

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

9 “(C) In the case of a borrower who, ac-
10 cording to section 499F(f), has underpaid such
11 annual repayment amount, the amount of such
12 underpayment and the process for paying such
13 underpayment under section 499F(f)(2).

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

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

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

24 “(4) DIRECT PAYMENT.—The Secretary shall
25 enable a borrower to make direct payments on the

1 borrower’s annual repayment amount for the taxable
2 year to the Secretary throughout the year.

3 “(5) PAYMENTS ON A BORROWER’S BEHALF.—

4 The Secretary shall—

5 “(A) provide a mechanism for other indi-
6 viduals or entities to make payments on the an-
7 nual repayment amount of a borrower for a tax-
8 able year; and

9 “(B) notify the borrower that any pay-
10 ments made under subparagraph (A) for the
11 taxable year that exceed the annual repayment
12 amount for the year shall not be refunded to
13 the borrower.

14 “(6) CALCULATING INTEREST ACCRUED.—The
15 Secretary shall calculate the interest accrued for the
16 taxable year as if the borrower’s payments under
17 wage withholding under paragraph (10) for the tax-
18 able year were made in 12 equal increments
19 throughout the year.

20 “(7) APPEALS PROCESS.—The Secretary shall
21 make available a process through which a borrower
22 can appeal the calculation of the borrower’s annual
23 repayment amount, including a worksheet that en-
24 ables a borrower to calculate the borrower’s annual
25 repayment amount.

1 “(8) DEFAULT FOR FAILURE TO FILE A RE-
2 TURN.—In a case in which the Secretary receives in-
3 formation from the Secretary of the Treasury under
4 section 499D that a borrower with a loan made
5 under this part in repayment status has failed to file
6 a return under section 6012(a)(1) of the Internal
7 Revenue Code of 1986 and such borrower was re-
8 quired to file such a return, the Secretary shall—

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

11 “(B) if the borrower fails to file such a re-
12 turn within 90 days of receipt of the notice de-
13 scribed in subparagraph (A), consider the bor-
14 rower’s loans made under this part in repay-
15 ment status to be in default.

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

22 “(10) EMPLOYER WITHHOLDING.—The Sec-
23 retary shall establish a process that meets the re-
24 quirements of subsection (b) under which employers
25 making payment of wages deduct and withhold upon

1 such wages amounts determined in accordance with
2 subsection (b)(3) with respect to an employee—

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

5 “(B) who has not opted out of the with-
6 holding process under this paragraph; and

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

9 “(11) MONTHLY PAYMENTS PROCESS.—The
10 Secretary shall establish a monthly payments proc-
11 ess described in subsection (c).

12 “(b) REQUIREMENTS FOR EMPLOYER WITH-
13 HOLDING.—

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

17 “(A) NEW EMPLOYMENT.—Upon deter-
18 mining, using the information provided under
19 section 453(j)(12) of the Social Security Act
20 (42 U.S.C. 653(j)(12)), that a borrower who
21 meets the requirements of subparagraphs (A)
22 through (C) of subsection (a)(10) obtains new
23 employment, issue a withholding order to the
24 borrower’s employer directing the employer to

1 withhold and transmit the amounts described in
2 paragraph (3) to the Secretary.

3 “(B) OTHER PURPOSES.—Upon notifica-
4 tion by a borrower that the borrower no longer
5 wishes to opt out of the withholding process
6 under subsection (a)(10) or that a borrower
7 who has been in forbearance under section
8 499F(a)(2)(C), voluntarily ends or no longer
9 qualifies for such forbearance, or upon deter-
10 mining that a borrower has entered repayment
11 status on 1 or more loans made under this part
12 (and the borrower had no loans made under
13 this part already in repayment status), using
14 the information provided under section
15 453(j)(12) of the Social Security Act (42
16 U.S.C. 653(j)(12)), issue a withholding order to
17 all of the borrower’s employers directing such
18 employers to withhold and transmit the
19 amounts described in paragraph (3) to the Sec-
20 retary.

21 “(C) STOP WITHHOLDING ORDER.—Upon
22 determining that a borrower is eligible for a for-
23 bearance under section 499F(a)(2)(C), that the
24 borrower has opted out of the withholding proc-
25 ess under subsection (a)(10), or that a borrower

1 has repaid the borrower's loans made under
2 this part, using the information provided under
3 paragraph 12 of section 453(j)(12) of the So-
4 cial Security Act (42 U.S.C. 653(j)(12)), issue
5 a withholding order to the borrower's employers
6 directing such employers to cease withholding
7 under this paragraph.

8 “(D) TRANSFER OF PAYMENTS.—Outline
9 clearly the process through which employers
10 shall transfer money withheld under this sub-
11 section to the Secretary.

12 “(E) ELECTRONIC TRANSMISSION.—

13 “(i) IN GENERAL.—Make available
14 electronic means of transmitting and proc-
15 essing both withholding orders and pay-
16 ments from employers, including a means
17 to correct under- and overpayments to the
18 extent feasible, with the goal of stream-
19 lining the processing of such orders and
20 payments and minimizing impacts on em-
21 ployers.

22 “(ii) NO REQUIREMENT TO USE ELEC-
23 TRONIC TRANSMISSION.—Nothing in this
24 part shall be construed to require an em-
25 ployer, in carrying out a withholding order

1 under this section, to use the electronic
2 process described in clause (i).

3 “(2) EMPLOYER REMITTANCE.—

4 “(A) IN GENERAL.—In the case where an
5 employer has received a withholding order
6 under subparagraph (A) or (B) of paragraph
7 (1) or the employee has indicated under para-
8 graph (4)(A) that the employee has a loan that
9 meets the requirements of subparagraphs (A)
10 through (C) of subsection (a)(10), and the em-
11 ployer has not subsequently received an order to
12 stop withholding under paragraph (1)(C) for
13 such employee, the employer shall withhold and
14 transmit the amounts described in paragraph
15 (3) to the Secretary as directed under para-
16 graph (1)(D) and shall be liable for, and the
17 Secretary, as appropriate, may sue the em-
18 ployer in a State or Federal court of competent
19 jurisdiction to recover any amount that such
20 employer fails to withhold from wages with re-
21 spect to an employee after being directed to do
22 so for such employee, plus attorneys’ fees, costs,
23 and, in the court’s discretion, punitive damages.
24 Such employer shall not be required to vary the

1 normal pay and disbursement cycles in order to
2 comply with this subparagraph.

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

8 “(3) WITHHOLDING AMOUNT.—The amount
9 withheld by an employer for each pay period with re-
10 spect to any employee for whom the employer is
11 withholding under this subsection shall be an
12 amount equal to the sum of—

13 “(A) the amount that results from the em-
14 ployer withholding—

15 “(i) 10 percent of the employee’s
16 wages for such pay period that will count
17 towards the employee’s annual repayment
18 amount under section 499F(b) that is in
19 excess of the employee’s exemption amount
20 for such pay period (as determined by di-
21 viding the employee’s exemption amount
22 under section 499F(i)(3) by the number of
23 pay periods for the taxable year); or

24 “(ii) in a case in which an employee
25 requests that such exemption amount not

1 be taken into account, 10 percent of the
2 employee's wages for such pay period that
3 will count towards the employee's annual
4 repayment amount under section 499F(b);
5 and

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

9 “(4) WITHHOLDING PREFERENCES.—The Sec-
10 retary shall provide forms and procedures to allow
11 an employee to indicate to the employee's em-
12 ployer—

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

18 “(B) that the employer shall not take into
19 account the exemption amount to which the em-
20 ployee is eligible under this part in determining
21 the employee's withholding amount because the
22 exemption amount has already been taken into
23 account with respect to such employee; and

24 “(C) an election by the employee to have
25 amounts withheld in addition to the employee's

1 withholding amount as calculated under para-
2 graph (3).

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

18 “(6) GARNISHMENT.—For purposes of title III
19 of the Consumer Credit Protection Act (15 U.S.C.
20 1671 et seq.), amounts withheld under this sub-
21 section shall—

22 “(A) not be considered a garnishment; and

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

25 “(c) MONTHLY PAYMENTS PROCESS.—

1 “(1) IN GENERAL.—The Secretary shall estab-
 2 lish a process under which a borrower may make
 3 monthly payments towards the borrower’s annual re-
 4 payment amount, at any time in the taxable year,
 5 because the borrower—

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

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

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

14 “(A) INCOME ESTIMATE.—A requirement
 15 for a borrower to provide an estimate of the
 16 borrower’s income for the taxable year that will
 17 count towards the borrower’s income-based re-
 18 payment obligation, excluding, in the case of a
 19 borrower subject to the withholding process,
 20 any income subject to the withholding process.

21 “(B) AMORTIZATION SCHEDULE.—In the
 22 case of a borrower who has opted out of the
 23 withholding process, the ability for the borrower
 24 to indicate that the borrower would like the bor-
 25 rower’s monthly payments set such that the

1 borrower's outstanding loans made under this
2 part would be repaid within a specified number
3 of years.

4 “(3) MONTHLY PAYMENTS AMOUNTS.—The
5 Secretary shall set the borrower's monthly payment
6 amount to the greater of—

7 “(A) the difference between the borrower's
8 annual repayment amount that would result
9 given the income estimate provided by the bor-
10 rower under paragraph (2)(A) and the pay-
11 ments the borrower has already made in the
12 year towards such amount (excluding, for bor-
13 rowers who have not opted-out of withholding,
14 payments through the withholding process), di-
15 vided by the remaining months in the taxable
16 year; or

17 “(B) for a borrower who indicates a time
18 frame under paragraph (2)(B), the monthly
19 payment amount that would result in the bor-
20 rower's currently outstanding loans made under
21 this part being repaid within the number of
22 years specified by the borrower.

23 “(4) AUTOMATIC CONTINUATION.—The month-
24 ly payments process shall continue until—

1 “(A) the borrower elects to stop such pay-
2 ments; or

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

5 “(5) UPDATING PAYMENT AMOUNTS.—

6 “(A) SECRETARY.—The Secretary shall
7 automatically recalculate a borrower’s monthly
8 payment amount at the beginning of a new tax-
9 able year using the most recent income estimate
10 provided under paragraph (2)(A) by the bor-
11 rower.

12 “(B) BORROWER.—The borrower may up-
13 date the borrower’s income estimate under
14 paragraph (2)(A) at any time.

15 **“CHAPTER 2—BORROWER REPAYMENT OF**
16 **IDEA LOANS AND IDEA CONSOLIDA-**
17 **TION LOANS**

18 **“SEC. 499F. BORROWER REPAYMENT.**

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

21 “(1) begin on the first day of the first taxable
22 year that begins after the borrower’s in-school
23 deferment period, or in the case of an IDEA Con-
24 solidation Loan, on the first day of the first taxable

1 year that begins after such Consolidation Loan is
2 disbursed; and

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

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

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

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

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

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

24 “(2) an amount equal to the sum of the out-
25 standing balances (equal to the sum of the unpaid

1 principal, interest, penalties, and fees) that the bor-
2 rower owes on such loans.

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

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

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

18 “(3) The direct payments process under section
19 499E(a)(4).

20 “(4) The process described in section
21 499E(a)(5) that allows other individuals or entities
22 to make payments on the borrower’s annual repay-
23 ment amount for the year.

24 “(d) ORDER OF CREDITING.—Payments on loans
25 made under this part shall be applied, without regard to

1 the method of such payments, first toward penalties due
 2 on the loans, next toward any fees due on the loans, then
 3 toward any interest due on the loans, and finally toward
 4 the principal due on the loan with the highest applicable
 5 rate of interest among such loans.

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

11 “(f) UNDERPAYMENTS.—

12 “(1) PENALTIES FOR UNDERPAYMENTS.—

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

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

23 “(ii) the amount paid on such annual
 24 repayment amount as of such day.

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

8 “(C) EXCEPTION FOR MEETING THE OBLI-
9 GATION FOR THE PREVIOUS YEAR.—A borrower
10 who has paid 100 percent of the borrower’s an-
11 nual repayment amount for the taxable year
12 preceding the taxable year described in sub-
13 paragraph (A) shall not be subject to the pen-
14 alty under this paragraph for the taxable year
15 described in subparagraph (A).

16 “(D) DE MINIMIS EXCEPTION.—A bor-
17 rower whose annual repayment amount is less
18 than \$300 shall not be subject to the penalty
19 under this paragraph for the taxable year de-
20 scribed in subparagraph (A).

21 “(2) RECONCILING UNDERPAYMENTS.—

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

1 amount of the borrower’s annual repayment
2 amount for such year, the borrower—

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

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

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

15 “(bb) any penalties cal-
16 culated under paragraph (1) re-
17 sulting from such underpayment;
18 and

19 “(II) if the borrower qualifies for
20 the reduction requested under sub-
21 clause (I), shall pay the sum cal-
22 culated under such subclause at such
23 time and in such manner as required
24 by the Secretary;

1 “(ii) if the borrower does not qualify
 2 for a reduction under clause (i) or does not
 3 request such a reduction, shall pay to the
 4 Secretary an amount equal to the dif-
 5 ference between such amounts within the
 6 30-day period beginning on the date of re-
 7 ceipt by the borrower of the borrower’s an-
 8 nual statement described in section
 9 499E(a)(3) for such year; or

10 “(iii) if the borrower fails to pay the
 11 amount owed by the borrower as calculated
 12 under clause (ii) within the 30-day period,
 13 shall be charged a penalty equal to 2 per-
 14 cent of such amount for each month (pro-
 15 rated based on the percentage of a month
 16 such penalty is charged) that such amount
 17 is owed or until the borrower defaults on
 18 the loan for which such amount is owed,
 19 whichever occurs first.

20 “(B) DEFAULT.—A loan for which an
 21 amount is owed under subparagraph (A) and
 22 that is not paid within 270 days after the date
 23 of receipt by the borrower of the borrower’s an-
 24 nual statement described in section 499E(a)(3)
 25 shall be considered to be in default.

1 “(g) OVERPAYMENTS.—If, as of the last day of a tax-
 2 able year, the sum of the payments made on a borrower’s
 3 annual repayment amount for such year is greater than
 4 the total amount of the borrower’s annual repayment
 5 amount for such year, the Secretary shall—

6 “(1) refund the overpayment amount, if the
 7 borrower notifies the Secretary, within the 90-day
 8 period beginning on the date of receipt of the bor-
 9 rower’s annual statement described in section
 10 499E(a)(3) for such year and in a manner pre-
 11 scribed by the Secretary, that the borrower desires
 12 to have the overpayment amount refunded; or

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

19 “(h) EMPLOYER FAILURE TO WITHHOLD PAY-
 20 MENTS.—In the case of a borrower whose employer fails
 21 to withhold amounts under section 499E(b) upon any
 22 wages earned by the borrower that are subject to Federal
 23 income tax withholding and with respect to which the bor-
 24 rower made an election to have amounts withheld under
 25 such section, the Secretary shall—

1 “(1) reduce the borrower’s annual repayment to
 2 an amount equal to the borrower’s annual repay-
 3 ment amount had wages from such employer been
 4 excluded when calculating the borrower’s annual re-
 5 payment amount; and

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

10 “(i) DETERMINATION OF INCOME-BASED REPAY-
 11 MENT OBLIGATION.—

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

16 “(A) the sum of—

17 “(i) the wages, salaries, tips, and
 18 other employee compensation of the indi-
 19 vidual, but only if such amounts are in-
 20 cludible in gross income for the taxable
 21 year (determined without regard to sec-
 22 tions 911, 931, and 933 of the Internal
 23 Revenue Code of 1986) and are readily at-
 24 tributable to the individual, plus

1 “(ii) any other amount included in
 2 total income of the taxpayer for the tax-
 3 able year but not described in clause (i),
 4 except that such amount shall be divided
 5 by 2 in the case of an individual who is
 6 married and filing a joint tax return, over
 7 “(B) the sum of—

8 “(i) the exemption amount with re-
 9 spect to such individual, plus

10 “(ii) the lesser of the amount deter-
 11 mined with respect to the taxpayer under
 12 subparagraph (A)(ii), or \$3,000.

13 “(2) EXCLUSION OF CERTAIN AMOUNTS PAID
 14 ON BEHALF OF INDIVIDUAL.—Any amount paid on
 15 the borrower’s behalf under section 499E(a)(5) shall
 16 not be taken into account in determining such bor-
 17 rower’s income-based repayment obligation.

18 “(3) EXEMPTION AMOUNT.—For purposes of
 19 this subpart, the exemption amount with respect to
 20 an individual shall be \$10,000 (adjusted each year
 21 to reflect changes in the Consumer Price Index for
 22 All Urban Consumers published by the Bureau of
 23 Labor Statistics of the Department of Labor for the
 24 most recent 12-month period for which such data
 25 are available).

1 “(4) INDIVIDUALS NOT FILING A RETURN.—
 2 The income-based repayment obligation with respect
 3 to an individual not required to file a return under
 4 section 6012(a)(1) of the Internal Revenue Code of
 5 1986 shall be treated as zero.”.

6 **SEC. 4. CONFORMING CHANGES TO THE HIGHER EDU-**
 7 **CATION ACT OF 1965.**

8 (a) LOAN FORGIVENESS AND CANCELLATION FOR
 9 TEACHERS.—

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

13 (A) in subsection (b), by inserting “or for
 14 an IDEA loan made under part J,” after “or
 15 428H,”; and

16 (B) in subsection (c)—

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

20 (ii) in paragraph (2)—

21 (I) by striking “A loan” and in-
 22 serting the following:

23 “(A) LOANS MADE UNDER SECTION
 24 428C.—A loan”; and

1 (II) by adding at the end the fol-
 2 lowing:

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

12 (2) LOAN CANCELLATION FOR TEACHERS.—
 13 Section 460 of the Higher Education Act of 1965
 14 (20 U.S.C. 1087j) is amended—

15 (A) in subsection (b), in the matter pre-
 16 ceding paragraph (1), by inserting “or for an
 17 IDEA loan made under part J” after “under
 18 this part”; and

19 (B) in subsection (c)—

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

25 (ii) in paragraph (2)—

1 (I) by striking “A loan” and in-
 2 serting the following:

3 “(A) FEDERAL DIRECT CONSOLIDATION
 4 LOAN.—A loan”; and

5 (II) by adding at the end the fol-
 6 lowing new subparagraph:

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

16 (b) LOAN FORGIVENESS FOR SERVICE IN AREAS OF
 17 NATIONAL NEED.—Section 428K(a)(2) of the Higher
 18 Education Act of 1965 (20 U.S.C. 1078–11(a)(2)) is
 19 amended—

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

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

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

1 “(C) to cancel a qualified loan amount for
2 a loan made under part J.”.

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

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

9 (2) in clause (ii)—

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

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

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

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

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

23 (d) MASTER PROMISSORY NOTE.—Section
24 432(m)(1)(D) of the Higher Education Act of 1965 (20
25 U.S.C. 1082(m)(1)(D)) is amended—

1 (1) by striking “this part and part D” each
 2 place it appears and by inserting “this part, part D,
 3 and part J”; and

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

7 (e) CONTRACTS.—Section 456 of the Higher Edu-
 8 cation Act of 1965 (20 U.S.C. 1087f) is amended—

9 (1) in subsection (a)—

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

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

15 (2) in subsection (b)—

16 (A) in paragraph (1), by inserting “or the
 17 program under part J” after “(or their par-
 18 ents)”;

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

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

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

1 (f) FUNDS FOR ADMINISTRATIVE EXPENSES.—Sec-
 2 tion 458(a)(3) of the Higher Education Act of 1965 (20
 3 U.S.C. 1087h(a)(3)) is amended—

4 (1) by striking “this part and part B” and in-
 5 serting “this part, part B, and part J”; and

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

8 (g) STUDENT ELIGIBILITY.—Section 484 of the
 9 Higher Education Act of 1965 (20 U.S.C. 1091) is
 10 amended—

11 (1) in subsection (b)—

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

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

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

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

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

23 (h) INSTITUTIONAL AND FINANCIAL ASSISTANCE IN-
 24 FORMATION FOR STUDENTS.—Section 485 of the Higher
 25 Education Act of 1965 (20 U.S.C. 1092) is amended—

1 (1) in subsection (a)—

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

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

7 (2) in subsection (b)—

8 (A) in paragraph (1)(A)—

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

12 (ii) in clause (vii)—

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

16 (II) by striking “and E” and in-
17 serting “E, and J”; and

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

20 (3) in subsection (l)(1)—

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

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

1 **SEC. 5. NATIONAL DIRECTORY OF NEW HIRES.**

2 Section 453(j) of the Social Security Act (42 U.S.C.
3 653(j)) is amended by adding at the end the following:

4 “(12) INFORMATION COMPARISONS AND DIS-
5 CLOSURE TO ASSIST WITH COLLECTION OF IDEA
6 STUDENT LOANS.—

7 “(A) FURNISHING OF INFORMATION BY
8 THE SECRETARY OF EDUCATION.—The Sec-
9 retary of Education shall furnish to the Sec-
10 retary, on such periodic basis as determined by
11 the Secretary of Education in consultation with
12 the Secretary, information in the custody of the
13 Secretary of Education for comparison with in-
14 formation in the National Directory of New
15 Hires, in order to obtain information in such
16 Directory with respect to persons who have a
17 loan made under part J of title IV of the High-
18 er Education Act of 1965 in repayment status.

19 “(B) REQUIREMENT TO SEEK MINIMUM
20 INFORMATION.—The Secretary of Education
21 shall seek information pursuant to this section
22 only to the extent necessary to improve collec-
23 tion of the debts owed on the loans described in
24 subparagraph (A).

25 “(C) DUTIES OF THE SECRETARY.—

1 “(i) INFORMATION DISCLOSURE.—The
2 Secretary, in cooperation with the Sec-
3 retary of Education, shall compare infor-
4 mation in the National Directory of New
5 Hires with information provided by the
6 Secretary of Education with respect to per-
7 sons described in subparagraph (A) and
8 shall disclose information in such Directory
9 regarding such persons to the Secretary of
10 Education in accordance with this para-
11 graph, for the purposes specified in this
12 paragraph.

13 “(ii) CONDITION ON DISCLOSURE.—
14 The Secretary shall make disclosures in ac-
15 cordance with clause (i) only to the extent
16 that the Secretary determines that such
17 disclosures do not interfere with the effec-
18 tive operation of the program under this
19 part.

20 “(D) PROHIBITION AND UNAUTHORIZED
21 USE.—

22 “(i) IN GENERAL.—Individual data
23 collected under this paragraph shall not be
24 used for any purpose not specifically au-
25 thorized by Federal law.

1 “(ii) PENALTIES FOR UNAUTHORIZED
 2 DISCLOSURE OF DATA.—Any individual
 3 who willfully discloses information provided
 4 under this paragraph, in any manner to an
 5 entity not entitled to receive the informa-
 6 tion, shall be fined under title 18, United
 7 States Code, imprisoned not more than 5
 8 years, or both.

9 “(E) USE OR DISCLOSURE OF INFORMA-
 10 TION BY THE SECRETARY OF EDUCATION.—The
 11 Secretary of Education may use or disclose in-
 12 formation provided under this paragraph only
 13 for purposes of collecting the debts owed on the
 14 loans described in subparagraph (A).

15 “(F) REIMBURSEMENT OF HHS COSTS.—
 16 The Secretary of Education shall reimburse the
 17 Secretary, in accordance with subsection (k)(3),
 18 for the costs incurred by the Secretary in fur-
 19 nishing the information requested under this
 20 paragraph.

21 “(G) COMPLIANCE WITH FERPA.—In car-
 22 rying out this paragraph, the Secretary and
 23 Secretary of Education shall not share any per-
 24 sonally identifiable information and shall act in
 25 accordance with section 444 of the General

1 Education Provisions Act (20 U.S.C. 1232g,
 2 commonly known as the ‘Family Educational
 3 Rights and Privacy Act of 1974’).”.

4 **SEC. 6. DISCLOSURE OF RETURN INFORMATION FOR PUR-**
 5 **POSES OF IDEA LOAN REPAYMENT PRO-**
 6 **GRAM.**

7 (a) IN GENERAL.—Subsection (l) of section 6103 of
 8 the Internal Revenue Code of 1986 is amended by adding
 9 at the end the following new paragraph:

10 “(23) DISCLOSURE OF RETURN INFORMATION
 11 TO DEPARTMENT OF EDUCATION FOR PURPOSES OF
 12 ADMINISTERING IDEA LOAN REPAYMENT PRO-
 13 GRAM.—

14 “(A) IN GENERAL.—The Secretary shall,
 15 upon written request, disclose to the Depart-
 16 ment of Education such return information as
 17 is necessary for purposes of carrying out the
 18 IDEA Loan Repayment Program established
 19 under subpart 2 of part J of the Higher Edu-
 20 cation Act of 1965.

21 “(B) RESTRICTION ON DISCLOSURE.—Re-
 22 turn information disclosed under subparagraph
 23 (A) may be used by officers, employees, and
 24 contractors of the Department of Education
 25 only for purposes of, and to the extent nec-

1 essary in determining income-based repayment
 2 obligations under the IDEA Loan Repayment
 3 Program.”.

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

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

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

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

19 “(B) such discharge was pursuant to sec-
 20 tion 499B(i) of the Higher Education Act of
 21 1965 (relating to the cancellation of loan liabil-
 22 ity).”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to discharges of indebtedness
3 after the date of enactment of this Act.

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