

115TH CONGRESS  
1ST SESSION

# H. R. 3145

To provide the legal framework and income tax treatment necessary for the growth of innovative private financing options, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 29, 2017

Mr. MESSER (for himself, Mr. POLIS, Mr. HOLLINGSWORTH, Mrs. WALORSKI, Mr. PAULSEN, Mr. BANKS of Indiana, Ms. SINEMA, and Mr. HULTGREN) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on Ways and Means, Education and the Workforce, Armed Services, and Veterans' Affairs, 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

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## A BILL

To provide the legal framework and income tax treatment necessary for the growth of innovative private financing options, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Investing in Student Achievement Act of 2017” or the  
6 “ISA Act of 2017”.

- 1 (b) TABLE OF CONTENTS.—The table of contents for  
 2 this Act is as follows:

Sec. 1. Short title; table of contents.  
 Sec. 2. Definitions.

#### TITLE I—TAX TREATMENT OF INCOME-SHARE AGREEMENTS

Sec. 101. Tax treatment of proceeds and payments of future income.  
 Sec. 102. Terms and conditions of income-share agreement contracts.  
 Sec. 103. Rulemaking; model disclosure forms.  
 Sec. 104. Truth in Lending Act.  
 Sec. 105. Consent to continuing release of taxpayer information under income share agreement.

#### TITLE II—TREATMENT OF INCOME-SHARE AGREEMENTS UNDER STATE LAW

Sec. 201. Lawfulness of contracts; preemption of State law.  
 Sec. 202. Preemption of State law with respect to usury.  
 Sec. 203. Preemption pre-existing State laws with respect to ability-to-repay and licensing laws.

#### TITLE III—QUALIFIED EDUCATION LOAN

Sec. 301. Qualified education loan.

#### TITLE IV—FEDERAL INDIVIDUAL ASSISTANCE TREATMENT OF INCOME-SHARE AGREEMENTS

Sec. 401. Proceeds not treated as income in calculation of financial need under the Higher Education Act of 1965.

#### TITLE V—TREATMENT UNDER SECURITIES LAWS

Sec. 501. Income-share agreements not treated as securities.  
 Sec. 502. Businesses making income-share agreements excluded from investment company treatment.

#### TITLE VI—TREATMENT UNDER FEDERAL CONSUMER FINANCE LAWS

Sec. 601. Income-share agreement anti-discrimination protections.  
 Sec. 602. Prohibition on requiring preauthorized electronic fund transfers.  
 Sec. 603. Treatment under the Fair Credit Reporting Act.  
 Sec. 604. Application of the Military Lending Act.  
 Sec. 605. Application of the Servicemembers Civil Relief Act.  
 Sec. 606. Rulemaking.

#### TITLE VII—TREATMENT UNDER OTHER LAWS

Sec. 701. Insurance and wagering.  
 Sec. 702. Payments not considered prepayments.

### 3 **SEC. 2. DEFINITIONS.**

- 4 For purposes of this Act:

1           (1) COMPARABLE LOAN.—The term “com-  
2       parable loan” means, with respect to an income-  
3       share agreement, a loan that—

4           (A) has an original principal amount such  
5       that, after any origination fees on the loan are  
6       paid, the amount of loan financing received by  
7       the individual is equal to the total amount of  
8       funding provided under the income-share agree-  
9       ment to or on behalf of the individual subject  
10      to the agreement;

11          (B) has the same term to maturity as the  
12      duration of the income-share agreement; and

13          (C) is fully amortized over such term with  
14      monthly payments of principal and interest.

15       (2) INCOME-SHARE AGREEMENT.—The term  
16      “income-share agreement” means an agreement—

17          (A) between an individual and an ISA  
18      funder;

19          (B) which meets the requirements of sec-  
20      tion 102; and

21          (C) under which—

22              (i) the ISA funder pays amounts to,  
23              or on behalf of, such individual for costs  
24              associated with a postsecondary training  
25              program, or any other program designed to

1 increase the individual's human capital,  
2 employability, or earning potential (and  
3 not limited to programs eligible to partici-  
4 pate in programs under title IV of the  
5 Higher Education Act of 1965), as well as  
6 any personal expenses (such as books, sup-  
7 plies, transportation, and living costs) in-  
8 curred by the individual while enrolled in  
9 such a program, or for the refinancing of  
10 debt used for these purposes (hereinafter  
11 in this Act referred to as "income-share  
12 funding"); and

13 (ii) such individual pays to such ISA  
14 funder (or the ISA funder's successor in  
15 interest) amounts equal to a specified per-  
16 centage of the individual's future income,  
17 for a defined term (hereinafter in this Act  
18 referred to as "income-share payments").

19 (3) ISA FUNDER.—With respect to an income-  
20 share agreement, the term "ISA funder" means the  
21 party to such agreement who—

22 (A) pays amounts to, or on behalf of, an  
23 individual solely for the purposes specified in  
24 paragraph (2)(C)(i); and

1 (B) has the right to receive a specified per-  
2 centage of the individual's future income.

3 (4) QUALIFIED ISA.—The term “Qualified ISA”  
4 means an income-share agreement that complies  
5 with the following:

6 (A) AFFORDABILITY FOR LOW AFTER-  
7 SCHOOL INCOME.—The income-share agreement  
8 provides that when an individual subject to the  
9 agreement has an income that is equal to or  
10 below the amount that is 150 percent of the  
11 poverty line for a single person (as defined in  
12 section 673 of the Community Services Block  
13 Grant Act (42 U.S.C. 9902)), the percentage of  
14 income obligation for the individual is zero. The  
15 preceding sentence may not be interpreted to  
16 preclude the charging of fees or nominal pay-  
17 ments (as described under section 102(a)(5))  
18 during this period.

19 (B) LIMIT ON PERCENTAGE OF INCOME.—  
20 The maximum percentage of income an indi-  
21 vidual would be required to pay under the  
22 agreement does not exceed 20 percent, and the  
23 product of such percentage and the number of  
24 years of the agreement does not exceed 2.25  
25 (which figure is the product of 7.5 percent and

1 the number of years in the longest allowable  
2 contract under section 102(a)(3)).

3 (C) APPROPRIATE RISK SHARING.—The  
4 payments required under such agreement for an  
5 individual with income during the payment  
6 term equal to 175 percent of the poverty line  
7 for a single person (as defined in section 673  
8 of the Community Services Block Grant Act  
9 (42 U.S.C. 9902)) would not exceed the pay-  
10 ments on a comparable loan that bears interest  
11 at a rate equal to the annual percentage rate of  
12 interest limitation under section 987(b) of title  
13 10, United States Code.

14 (5) STATE.—The term “State” means the sev-  
15 eral States of the Union, the Commonwealth of  
16 Puerto Rico, the District of Columbia, Guam, Amer-  
17 ican Samoa, the Virgin Islands, the government of  
18 the Northern Mariana Islands, and the Trust Terri-  
19 tory of the Pacific Islands.

20 (6) STATE LAW.—The term “State law” means  
21 any law, decision, rule, regulation, or other action  
22 having the effect of a law of any State or any polit-  
23 ical subdivision of a State, or any agency or instru-  
24 mentality of a State or political subdivision of a  
25 State, except that a law of the United States appli-

1 cable only to the District of Columbia shall be treat-  
 2 ed as a State law (rather than a law of the United  
 3 States).

## 4 **TITLE I—TAX TREATMENT OF** 5 **INCOME-SHARE AGREEMENTS**

### 6 **SEC. 101. TAX TREATMENT OF PROCEEDS AND PAYMENTS** 7 **OF FUTURE INCOME.**

8 For purposes of the Internal Revenue Code of  
 9 1986—

10 (1) FUNDING EXCLUDED FROM GROSS IN-  
 11 COME.—In the case of an individual, gross income  
 12 shall not include the amount of any income-share  
 13 funding which is paid to or on behalf of such indi-  
 14 vidual under an income-share agreement.

15 (2) DIFFERENCE IN REPAYMENT NOT IN-  
 16 CLUDED AS GROSS INCOME.—In the case of an in-  
 17 come-share agreement under which the income-share  
 18 funding exceeds the total income-share payments (in  
 19 any period over the life of the contract), the individ-  
 20 ual's gross income shall not include the amount of  
 21 such excess.

22 (3) TREATMENT OF PAYMENTS OF FUTURE IN-  
 23 COME.—The amount of any income-share payments  
 24 under an income-share agreement shall be treated—

1 (A) first, with respect to so much of such  
 2 amount as does not exceed the income-share  
 3 funding under such agreement, as a recovery of  
 4 investment (with a corresponding reduction in  
 5 basis) in the contract; and

6 (B) second, as income on the contract  
 7 which is includible in gross income.

8 **SEC. 102. TERMS AND CONDITIONS OF INCOME-SHARE**  
 9 **AGREEMENT CONTRACTS.**

10 (a) **TERMS AND CONDITIONS.**—An income-share  
 11 agreement shall not be treated as meeting the require-  
 12 ments of this section unless:

13 (1) **SPECIFIED PERCENTAGE OF INCOME.**—The  
 14 agreement specifies the percentage of future income  
 15 required to be paid.

16 (2) **DEFINITION OF INCOME.**—The income-  
 17 share agreement specifies the definition of income to  
 18 be used for purposes of calculating an individual's  
 19 obligation to pay under the agreement, which shall  
 20 not in any case include the income of the individ-  
 21 ual's children.

22 (3) **SPECIFIED DURATION; EXTENSION OF PE-**  
 23 **RIOD.**—

24 (A) **DURATION.**—The agreement specifies  
 25 the maximum period of time during which the

1 individual will be obligated to pay a percentage  
2 of the individual's future income (excluding pe-  
3 riods when just a nominal payment (as de-  
4 scribed under paragraph (5)) is required),  
5 which may not (except as provided in subpara-  
6 graph (B)) exceed 360 months.

7 (B) EXTENSION OF PERIOD.—The agree-  
8 ment may provide for the extension of such pe-  
9 riod by a number of months during which the  
10 individual's percentage of income obligation (ex-  
11 cluding nominal payments and fees) was zero,  
12 either because of further enrollment in edu-  
13 cation or training or the individual's income  
14 was below the level at which payments are re-  
15 quired in the agreement.

16 (4) EARLY TERMINATION.—The agreement  
17 specifies the terms and conditions under which the  
18 individual subject to the agreement may terminate  
19 the agreement.

20 (5) NOMINAL PAYMENTS.—The agreement  
21 specifies any nominal monthly payment that is re-  
22 quired during periods when the individual subject to  
23 the agreement has no percentage of income obliga-  
24 tion, except that such nominal monthly payment  
25 shall not exceed twenty-five dollars per month (ad-

1       justed each year to reflect changes in the Consumer  
2       Price Index for All Urban Consumers published by  
3       the Bureau of Labor Statistics of the Department of  
4       Labor for the most recent 12-month period for  
5       which the data are available).

6       (b) REQUIRED DISCLOSURES.—An income-share  
7       agreement does not comply with the requirements of this  
8       section unless the individual who is committing under the  
9       agreement to pay future income is provided, before enter-  
10      ing into such agreement, a written document that clearly  
11      and simply discloses—

12           (1) that the agreement is not a debt instru-  
13      ment, and that the amount the individual will be re-  
14      quired to pay under the agreement—

15           (A) may be more or less than the amount  
16      provided to the individual pursuant to the  
17      agreement; and

18           (B) will vary in proportion to the individ-  
19      ual's future income;

20           (2) that the obligations of the individual under  
21      the agreement are not dischargeable under bank-  
22      ruptcy law, except in a case that would impose an  
23      undue hardship on the debtor and the debtor's de-  
24      pendents;

1           (3) whether the obligations of the individual  
2           under the agreement may be extinguished through  
3           prepayment and, if so, under what terms;

4           (4) the duration of the individual's obligations  
5           under the agreement (absent such prepayments), in-  
6           cluding any circumstances under which the duration  
7           of the agreement would be extended or discharged;

8           (5) the percentage of income the individual is  
9           committing to pay under the agreement, including  
10          whether the percentage of income is fixed or variable  
11          under the agreement, and the minimum amount of  
12          annual income that triggers the individual's obliga-  
13          tion under the agreement to make payments for  
14          such year;

15          (6) the definition of income to be used for pur-  
16          poses of calculating the individual's obligation under  
17          the agreement;

18          (7) a comparison of—

19                (A) the amounts an individual would be re-  
20                quired to pay under the income-share agree-  
21                ment at a range of annual income levels, which  
22                income levels shall correspond to the levels the  
23                individual might reasonably be expected to  
24                make given the intended use of the funds pro-  
25                vided under the agreement, as determined in

1           accordance with guidance issued by the Direc-  
2           tor of the Bureau of Consumer Financial Pro-  
3           tection; to

4                   (B) the amounts required to be paid under  
5           one or more comparable loans, including a loan  
6           at an interest rate determined by the Director  
7           of the Bureau of Consumer Financial Protec-  
8           tion to be an approximation of the interest rate  
9           available to student loan borrowers in the pri-  
10          vate marketplace and, where applicable, a Fed-  
11          eral Stafford loan;

12           (8) income verification documentation, includ-  
13          ing personal tax records submitted to the Internal  
14          Revenue Service, that the individual may be required  
15          to provide under the agreement;

16           (9) intent to conduct annual reconciliation re-  
17          lating to obligations owed by the individual under  
18          the agreement; and

19           (10) any nominal payments required under the  
20          agreement.

21          (c) NON-INTERFERENCE.—An income-share agree-  
22          ment represents an obligation by the individual pay the  
23          specific percentage of future income, but shall not be con-  
24          strued to give the contract holder any rights over an indi-  
25          vidual's actions.

1 (d) EFFECT OF FAILURE TO PROVIDE DOCUMENTA-  
2 TION.—

3 (1) IN GENERAL.—Absent income documenta-  
4 tion from an individual under an income-share  
5 agreement, the ISA funder of such agreement (or  
6 the funder's successor in interest) may assume a  
7 certain income level for the individual, up to the  
8 level that would create an obligation equal to the  
9 maximum payment amount under the agreement.

10 (2) TREATMENT UNDER STATE LAW.—Any obli-  
11 gation resulting from an assumed income level under  
12 paragraph (1) shall not be considered to be imposing  
13 an unlawful fee under a State law unless such State  
14 law was issued after the date of the enactment of  
15 this Act and such State law expressly states that it  
16 is intended to apply to income-share agreements.

17 (3) VERIFICATION OF INCOME.—If an indi-  
18 vidual supplies an ISA funder (or its successor in in-  
19 terest) with their income verification information  
20 within 180 days of the ISA funder (or its successor  
21 in interest) assuming an income level for such indi-  
22 vidual under paragraph (1), the individual shall be  
23 entitled to have any payments that were made in ex-  
24 cess of their actual obligation under the contract ei-

1       ther refunded to them or credited to future obliga-  
2       tions under the contract.

3   **SEC. 103. RULEMAKING; MODEL DISCLOSURE FORMS.**

4       (a) NO BUREAU GENERAL RULEMAKING AUTHOR-  
5   ITY.—Except as provided under subsection (b) and section  
6   102(b)(7), the Director of the Bureau of Consumer Finan-  
7   cial Protection may not issue regulations under this title.

8       (b) MODEL DISCLOSURE FORMS.—

9           (1) IN GENERAL.—Not later than 180 days  
10   after the date of the enactment of this Act, the Di-  
11   rector of the Bureau of Consumer Financial Protec-  
12   tion, after engaging in appropriate consumer testing  
13   of such forms, shall promulgate a model disclosure  
14   form for the disclosures required under section  
15   102(b).

16          (2) SAFE HARBOR.—Any person who uses the  
17   model disclosure form promulgated pursuant to  
18   paragraph (1) and includes accurate information re-  
19   quired under section 102(b) shall be deemed to be  
20   in compliance with the disclosure requirements  
21   under section 102(b).

22   **SEC. 104. TRUTH IN LENDING ACT.**

23       Any income-share agreement that complies with the  
24   disclosure requirements of section 102(b) shall be deemed  
25   to be in compliance with the Truth in Lending Act.

1 **SEC. 105. CONSENT TO CONTINUING RELEASE OF TAX-**  
2 **PAYER INFORMATION UNDER INCOME SHARE**  
3 **AGREEMENT.**

4 The Secretary of the Treasury shall modify Treasury  
5 Regulations and guidance to provide for continuing con-  
6 sent to disclosure of an individual's return information to  
7 an ISA funder (or the funder's successor in interest)  
8 under an income-share agreement, but only for periods rel-  
9 evant to, and only to the extent the Secretary determines  
10 is necessary and appropriate in carrying out the terms of,  
11 such agreement.

12 **TITLE II—TREATMENT OF IN-**  
13 **COME-SHARE AGREEMENTS**  
14 **UNDER STATE LAW**

15 **SEC. 201. LAWFULNESS OF CONTRACTS; PREEMPTION OF**  
16 **STATE LAW.**

17 Any income-share agreement that complies with the  
18 requirements of section 102 shall be a valid, binding, and  
19 enforceable contract notwithstanding any State law lim-  
20 iting or otherwise regulating assignments of future wages  
21 or other income.

22 **SEC. 202. PREEMPTION OF STATE LAW WITH RESPECT TO**  
23 **USURY.**

24 A Qualified ISA shall not be subject to State law with  
25 respect to usury, unless such State law was issued after  
26 the date of the enactment of this Act and such State law

1 expressly states that it is intended to apply to income-  
 2 share agreements.

3 **SEC. 203. PREEMPTION PRE-EXISTING STATE LAWS WITH**  
 4 **RESPECT TO ABILITY-TO-REPAY AND LICENS-**  
 5 **ING LAWS.**

6 A Qualified ISA shall not be subject to a State law  
 7 with respect to “ability-to-repay” requirements, and an  
 8 ISA funder issuing a Qualified ISA shall not be subject  
 9 to any State law with respect to licensing or registration,  
 10 unless such State law was issued after the date of the en-  
 11 actment of this Act and such State law expressly states  
 12 that it is intended to apply to income-share agreements.

13 **TITLE III—QUALIFIED**  
 14 **EDUCATION LOAN**

15 **SEC. 301. QUALIFIED EDUCATION LOAN.**

16 (a) IN GENERAL.—Paragraph (1) of section 221(d)  
 17 of the Internal Revenue Code of 1986 is amended by add-  
 18 ing at the end the following: “Such term includes any in-  
 19 come-share agreement (as such term is defined in section  
 20 2 of the Investing in Students Act of 2017) that complies  
 21 with the requirements of section 102 of such Act, except  
 22 that payments made by the taxpayer during the taxable  
 23 year to meet an income-share agreement obligation shall  
 24 not be taken into account under subsection (a).”.

1 (b) INFORMATION REPORTING NOT REQUIRED.—  
 2 Subsection (e) of section 6050S of such Code is amended  
 3 by inserting “(without regard to the last sentence there-  
 4 of)” after “section 221(d)(1)”.

5 **TITLE IV—FEDERAL INDIVIDUAL**  
 6 **ASSISTANCE TREATMENT OF**  
 7 **INCOME-SHARE AGREEMENTS**

8 **SEC. 401. PROCEEDS NOT TREATED AS INCOME IN CAL-**  
 9 **CULATION OF FINANCIAL NEED UNDER THE**  
 10 **HIGHER EDUCATION ACT OF 1965.**

11 No portion of any amounts received by an individual  
 12 for entering into an income-share agreement that complies  
 13 with the requirements of section 102 of this Act shall be  
 14 included as income or assets in the computation of ex-  
 15 pected family contribution for any program funded in  
 16 whole or in part under the Higher Education Act of 1965  
 17 (20 U.S.C. 1001 et seq.).

18 **TITLE V—TREATMENT UNDER**  
 19 **SECURITIES LAWS**

20 **SEC. 501. INCOME-SHARE AGREEMENTS NOT TREATED AS**  
 21 **SECURITIES.**

22 An income-share agreement shall not be treated as  
 23 a security for purposes of the securities laws (as defined  
 24 in section 3(a) of the Securities Exchange Act of 1934  
 25 (15 U.S.C. 78c(a))), any similar State law, or any State

1 law that directly or indirectly prohibits, limits, or imposes  
 2 conditions, based on the merits of an offering or issuer  
 3 of securities, upon the offer or sale of any security. Noth-  
 4 ing in the preceding sentence shall be construed to prevent  
 5 an instrument that is collateralized by, or serviced by the  
 6 cash flows of, an income-share agreement from being  
 7 treated as a security for purposes of any law described  
 8 in such sentence.

9 **SEC. 502. BUSINESSES MAKING INCOME-SHARE AGREE-**  
 10 **MENTS EXCLUDED FROM INVESTMENT COM-**  
 11 **PANY TREATMENT.**

12 Section 3(c) of the Investment Company Act of 1940  
 13 (15 U.S.C. 80a–3(c)) is amended—

14 (1) in paragraph (4), by inserting after “indus-  
 15 trial banking,” the following: “income-share agree-  
 16 ments (as defined in section 2 of the Investing in  
 17 Students Act of 2017),”; and

18 (2) in paragraph (5)—

19 (A) by inserting “, including purchasing or  
 20 otherwise acquiring income-share agreements  
 21 (as defined in section 2 of the Investing in Stu-  
 22 dents Act of 2017)” after “services” the first  
 23 place it appears; and

1 (B) by inserting “, including making in-  
 2 come-share agreements (as so defined)” after  
 3 “services” the second place it appears.

4 **TITLE VI—TREATMENT UNDER**  
 5 **FEDERAL CONSUMER FI-**  
 6 **NANCE LAWS**

7 **SEC. 601. INCOME-SHARE AGREEMENT ANTI-DISCRIMINA-**  
 8 **TION PROTECTIONS.**

9 Section 702 of the Equal Credit Opportunity Act (15  
 10 U.S.C. 1691a) is amended—

11 (1) in subsection (d), by inserting before the pe-  
 12 riod the following: “, or the right granted under an  
 13 income-share agreement (as defined in section 2 of  
 14 the Investing in Students Act of 2017)”; and

15 (2) in subsection (e)—

16 (A) by striking “or any assignee” and in-  
 17 serting “any assignee”; and

18 (B) by inserting before the period the fol-  
 19 lowing: “; or any person who regularly extends,  
 20 renews, or continues funding under an income-  
 21 share agreement (as defined in section 2 of the  
 22 Investing in Students Act of 2017)”.

1 **SEC. 602. PROHIBITION ON REQUIRING PREAUTHORIZED**  
2 **ELECTRONIC FUND TRANSFERS.**

3 Section 913(1) of the Electronic Fund Transfer Act  
4 (15 U.S.C. 1693k(1)) is amended by inserting after “a  
5 consumer” the following: “or the entering into of an in-  
6 come-share agreement (as defined in section 2 of the In-  
7 vesting in Students Act of 2017) with a consumer”.

8 **SEC. 603. TREATMENT UNDER THE FAIR CREDIT REPORT-**  
9 **ING ACT.**

10 Section 605 of the Fair Credit Reporting Act (15  
11 U.S.C. 1681c) is amended by adding at the end the fol-  
12 lowing:

13 “(i) INCOME-SHARE AGREEMENT INFORMATION.—  
14 With respect to an income-share agreement (as defined in  
15 section 2 of the Investing in Students Act of 2017), a con-  
16 sumer report made by a consumer reporting agency—

17 “(1) may include a description of the contract  
18 terms of the income-share agreement and, subject to  
19 subsection (a), information with respect to amounts  
20 that are owed under such agreement; and

21 “(2) may not include any speculation about fu-  
22 ture amounts that may be owed under the income-  
23 share agreement.”.

24 **SEC. 604. APPLICATION OF THE MILITARY LENDING ACT.**

25 Section 987 of title 10, United States Code, is  
26 amended—

1           (1) by redesignating subsection (i) as subsection  
2           (j); and

3           (2) by inserting after subsection (h) the fol-  
4           lowing:

5           “(i) TREATMENT OF INCOME-SHARE AGREE-  
6 MENTS.—The Secretary of Defense shall issue regulations  
7 to apply this section to income-share agreements (as de-  
8 fined in section 2 of the Investing in Students Act of  
9 2017), and an income-share agreement shall be deemed  
10 to meet the annual percentage rate of interest limitation  
11 under subsection (b) if such agreement would meet the  
12 requirements of section 2(4)(C) of the Investing in Stu-  
13 dent Achievement Act of 2017 (related to appropriate risk  
14 sharing) but with reference to the rate specified in sub-  
15 section (b).”.

16 **SEC. 605. APPLICATION OF THE SERVICEMEMBERS CIVIL**  
17 **RELIEF ACT.**

18           Section 207 of the Servicemembers Civil Relief Act  
19 (50 U.S.C. 3937) is amended by adding at the end the  
20 following:

21           “(f) TREATMENT OF INCOME-SHARE AGREE-  
22 MENTS.—The Secretary of Defense shall issue regulations  
23 to apply this section to income-share agreements (as de-  
24 fined in section 2 of the Investing in Students Act of  
25 2017), specifically by stating that an income-share agree-

1 ment shall be considered to have met the requirements of  
 2 this section if the agreement would meet the requirements  
 3 of section 2(4)(C) of the Investing in Student Achievement  
 4 Act of 2017 (relating to appropriate risk sharing) but with  
 5 reference to the rate specified in subsection (a)(1).”.

6 **SEC. 606. RULEMAKING.**

7 Not later than 180 days after the date of enactment  
 8 of this Act—

9 (1) the Director of the Bureau of Consumer Fi-  
 10 nancial Protection shall issue regulations to carry  
 11 out the amendments made by section 601 and 602;  
 12 and

13 (2) the Secretary of Defense shall issue regula-  
 14 tions to carry out the amendment made by section  
 15 604 and 605.

16 **TITLE VII—TREATMENT UNDER**  
 17 **OTHER LAWS**

18 **SEC. 701. INSURANCE AND WAGERING.**

19 Income-share agreements shall not be treated as a  
 20 contract for insurance or a betting or wagering contract  
 21 under any Federal or State law.

22 **SEC. 702. PAYMENTS NOT CONSIDERED PREPAYMENTS.**

23 With respect to an income-share agreement, any re-  
 24 quirement that an individual pay an amount greater than  
 25 the income-share funding in order to extinguish the in-

1 come-share agreement obligation earlier than the end of  
2 the term shall not be considered a prepayment penalty for  
3 purposes of any Federal or State law with respect to pre-  
4 payment penalties.

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