116TH CONGRESS  S.______
1ST SESSION

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

IN THE SENATE OF THE UNITED STATES

Mr. RUBIO introduced the following bill; which was read twice and referred to the Committee on ________________

A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Leveraging Opportunities for Americans Now Act of 2019” or the “LOAN Act of 2019”.

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

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

"(r) ELIMINATION OF INTEREST AND REPLACEMENT WITH FINANCING FEES.—

"(1) IN GENERAL.—

"(A) IN GENERAL.—Except as provided under subparagraph (B), beginning on July 1, 2021, the Secretary shall make loans under this part in accordance with this subsection.

"(B) EXCEPTION.—Beginning on July 1, 2021, the Secretary shall make loans under this part in accordance with the provisions of this part other than this subsection to a borrower who—

"(i) was enrolled in an institution of higher education on June 30, 2021; and

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

"(2) ELIMINATION OF INTEREST.—For loans made under this part in accordance with this subsection for which the first disbursement is made on
or after July 1, 2021, the applicable rate of interest shall be equal to 0 percent.

“(3) FINANCING FEES.—

“(A) IN GENERAL.—Beginning on July 1, 2021, the Secretary shall charge the borrower of a loan made under this part in accordance with this subsection a financing fee determined in accordance with this paragraph and issued on the date the loan is dispersed.

“(B) DETERMINATION OF FEE.—The financing fee for a borrower of a loan made under this part—

“(i) that is used for enrollment in an undergraduate course of study (except a Federal Direct PLUS Loan made on behalf of a dependent student), shall be equal to, from the principal amount of the loan, 25 percent of the amount of such loan;

“(ii) that is used for enrollment in a course of study necessary for enrollment in a program leading to a degree or certificate, shall be equal to, from the principal amount of the loan, 25 percent of the amount of such loan;
“(iii) that is used for enrollment in a program that is necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State, shall be equal to, from the principal amount of the loan, 25 percent of the amount of such loan; and

“(iv) that is a Federal Direct PLUS Loan made on behalf of a dependent student or used for enrollment in a graduate or professional course of study, shall be equal to, from the principal amount of the loan, 38 percent of the amount of such loan.

“(C) REDUCTION DUE TO PREPAYMENT.—

“(i) IN GENERAL.—In order to provide an incentive to borrowers to pay the balance of a loan made under this part earlier than required under the applicable repayment plan, the Secretary may credit or refund any such borrowers for an amount of the financing fee charged under this subsection.

“(ii) REGULATIONS.—
“(I) In general.—Not later than 9 months after the date of enactment of the LOAN Act of 2019, the Secretary shall promulgate regulations establishing the methodology for crediting or refunding a financing fee charged under this subsection pursuant to clause (i). Such credit or refund shall not reduce the financing fee by more than—

“(aa) with respect to a borrower whose income, as determined under subclause (II), was not more than $45,000 in the taxable year in which the borrower paid an amount from the balance of a loan made under this part earlier than required under the applicable repayment plan, 15 percentage points of such amount;

“(bb) with respect to a borrower whose income, as determined under subclause (II), was more than $45,000 but not more
than $95,000 in the taxable year
in which the borrower paid an
amount from the balance of a
loan made under this part earlier
than required under the applica-
tible repayment plan, 10 percent-
age points of such amount; and

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

“(II) INCOME DETERMINA-
tion.—For purposes of subclause (I),
a borrower’s income is equal to the
amount of the gross income of the
borrower for the taxable year that ex-
ceeds $10,000 (adjusted each year to
reflect changes in the Consumer Price
Index for All Urban Consumers pub-
lished by the Bureau of Labor Statistics for the Department of Labor for
the most recent 12-month period for
which such data are available).

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

“(4) RULEMAKING FOR CONSOLIDATION.—Not
later than 18 months after the date of enactment of
the LOAN Act of 2019, the Secretary shall promul-
gate rules regarding Federal Direct Consolidation
Loans made under this part in accordance with this
subsection, including a rule that the financing fee
for such a Federal Direct Consolidation Loan deter-
mined in accordance with this subsection shall not
exceed the sum of the financing fees applicable to
the consolidated loans.”.

SEC. 3. INCOME DEPENDENT EDUCATION ASSISTANCE RE-
PAYMENT PLAN.

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. 460A. INCOME DEPENDENT EDUCATION ASSISTANCE REPAYMENT PLAN.

“(a) In General.—

“(1) Applicability.—Notwithstanding any other provision of this Act, with respect to any loan made under this part after the date of enactment of the LOAN Act of 2019, the repayment plan options are only a 10-year fixed repayment plan and the repayment plan under this section. If the borrower of the loan does not select a repayment plan, the repayment of such loan shall be made in accordance with this section. A borrower of a loan made under this part after the date of enactment of the LOAN Act of 2019 may affirmatively select the repayment plan under this section.

“(2) Regulations.—Not later than 18 months after the date of enactment of the LOAN Act of 2019, the Secretary shall promulgate rules—

“(A) outlining how the Department will implement the income dependent education assistance repayment plan requirements for borrowers under this section; and

“(B) regarding monthly repayment processes for borrowers of loans made under this part before the date of enactment of the LOAN Act of 2019.
“(3) Rule of Construction.—Nothing in this section shall be construed to eliminate or otherwise affect the loan forgiveness or loan cancellation options available under this part to a borrower.

“(b) Duties of the Secretary of the Treasury.—

“(1) In General.—The Secretary of the Treasury shall, with respect to each individual for whom a loan made under this part after the date of enactment of the Loan Act of 2019 is in repayment status, transmit to the Secretary of Education—

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

“(B) in the case of any such individual who does not file a return for such taxable year, any available tax information of the individual as may be necessary to determine such obligation and whether such individual is delinquent under the terms of such loan for not so filing.
“(2) ADDITIONAL PROGRAM REQUIREMENTS.—

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

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

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

“(A) CALCULATION OF ANNUAL REPAY-
MENT AMOUNTS.—The Secretary shall calculate
the annual repayment amount under this sec-
tion for borrowers with 1 or more loans made
under this part after the date of enactment of
the LOAN Act of 2019 in repayment status for
one or more months in the taxable year for
which the amount is determined regardless of
which repayment plan the borrower is in, in-
cluding the repayment obligations of such bor-
rowers in accordance with subsection (d)(3).

“(B) COMMUNICATION WITH THE SEC-
RETARY OF THE TREASURY.—The Secretary
shall transmit to the Secretary of the Treasury
such information as is necessary for the Sec-
retary of the Treasury to carry out subsection (d)(3).

“(C) ANNUAL STATEMENTS.—Upon calculating the annual repayment amounts under subparagraph (A) for a taxable year, the Secretary shall provide a statement, on an annual basis, to each borrower with a loan made under this part after the date of enactment of the LOAN Act of 2019 regardless of which repayment plan the borrower is in, which lists the following:

“(i) Total payments made on the borrower’s annual repayment amount for such taxable year.

“(ii) The borrower’s annual repayment amount for such taxable year.

“(iii) The outstanding balances on all the loans made to the borrower under this part after the date of enactment of the LOAN Act of 2019 and any other outstanding balances on loans of the borrower that were made, insured, or guaranteed under this title.
“(iv) A description of how the borrower’s annual repayment amount was calculated.

“(D) Payments on a borrower’s behalf.—The Secretary shall—

“(i) provide a mechanism for other individuals or entities to make payments on the annual repayment amount of a borrower for a taxable year; and

“(ii) notify the borrower that any payments made under clause (i) for the taxable year that exceed the annual repayment amount for the year shall not be refunded to the borrower.

“(E) Appeals process.—

“(i) In general.—The Secretary shall make available a process through which a borrower can appeal the calculation of the borrower’s annual repayment amount, including a worksheet that enables a borrower to calculate the borrower’s annual repayment amount.

“(ii) Good standing.—A borrower who makes an appeal under clause (i) with respect to a loan shall be considered in
good standing on such loan during the duration of the appeal.

“(iii) Regulations.—The Secretary shall issue regulations outlining such process not later than 18 months after the date of enactment of the LOAN Act of 2019.

“(F) Delinquent for Failure to File a Return.—

“(i) In General.—In a case in which the Secretary receives information from the Secretary of the Treasury under subsection (b) that a borrower with a loan made under this part after the date of enactment of the LOAN Act of 2019 in repayment status in the repayment plan under this section, has failed to file a return under section 6012(a)(1) of the Internal Revenue Code of 1986 and such borrower was required to file such a return, the Secretary shall—

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

“(II) if the borrower fails to file such a return within 90 days of re-
receipt of the notice described in sub-
clause (I), consider the borrower’s
loans made under this part after the
date of enactment of the LOAN Act
of 2019 in repayment status in the re-
payment plan under this section to be
delinquent.

“(ii) APPEALS PROCESS.—The Sec-
retary shall make available a process
through which a borrower can appeal a de-
termination under clause (i) that the bor-
rower has failed to file a return under sec-
tion 6012(a)(1) of the Internal Revenue
Code of 1986 and such borrower was re-
quired to file such a return. The Secretary
shall issue regulations outlining such proc-
ess not later than 18 months after the date
of enactment of the LOAN Act of 2019.

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

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

“(ii) issue regulations establishing
penalties for default on such monthly pay-
ments.
“(H) Calculating loan forgiveness.—
The Secretary shall determine appropriate loan forgiveness options for students who select the repayment plan under this section.

“(I) Financial hardships.—

“(i) In general.—The Secretary shall establish a process for providing an adjustment in both the monthly payment and annual repayment amount obligations on a loan for a borrower experiencing extreme unforeseen financial circumstances unrelated to a change in annual income.

“(ii) Repayment status.—A borrower who receives an adjustment under clause (i) for a loan shall be deemed in repayment status with respect to such loan.

“(2) Monthly payments process.—

“(A) In general.—The Secretary shall establish a process under which a borrower, or one making payments on behalf of a borrower under paragraph (1)(D), shall make monthly payments towards the borrower’s annual repayment amount.

“(B) Information required.—The procedure for initiating the monthly payments
process under subparagraph (A) shall include an income estimate based on the income verification provided by the Secretary of the Treasury under subsection (b).

“(C) AUTOMATIC CONTINUATION.—The monthly payments process shall continue until the borrower’s loans made under this part after the date of enactment of the LOAN Act of 2019 are repaid.

“(D) UPDATING PAYMENT AMOUNTS.—

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

“(I) at the beginning of a new taxable year using the most recent income estimate provided under subsection (b)(1) by the Secretary of the Treasury; and

“(II) not later than 30 days after the date the borrower’s income estimate is adjusted after an appeal under paragraph (1)(E).

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

“(d) BORROWER REPAYMENT.—

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

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

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

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

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

“(iii) renewable at 12-month intervals
for a period not to exceed 3 years, due to
documented extreme economic hardship on
the part of a borrower.
“(2) PREPAYMENT AUTHORIZED.—A borrower shall have the right to prepay all or part of such loan, at any time and without penalty. Any such prepayment amount shall be applied in accordance with section 455(r)(3)(C).

“(3) DETERMINATION OF INCOME-BASED REPAYMENT OBLIGATION.—

“(A) IN GENERAL.—The repayment obligation under this section with respect to an individual for any taxable year is an amount equal to 10 percent of the amount of the gross income of the borrower for the taxable year that exceeds the exemption amount under subparagraph (C).

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

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

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