

115TH CONGRESS
1ST SESSION

S. 848

To amend the Higher Education Act of 1965 to encourage entrepreneurship by providing loan deferment and loan cancellation for founders and employees of small business startups, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 5 (legislative day, APRIL 4), 2017

Ms. HASSAN introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the Higher Education Act of 1965 to encourage entrepreneurship by providing loan deferment and loan cancellation for founders and employees of small business startups, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Reigniting Opportunity
5 for Innovators Act”.

1 **SEC. 2. SMALL BUSINESS STARTUP FOUNDER AND EM-**
 2 **PLOYEE LOAN DEFERMENT AND CANCELLA-**
 3 **TION.**

4 (a) DEFERMENT WITHOUT INTEREST ACCRUAL FOR
 5 SMALL BUSINESS STARTUP FOUNDERS AND EMPLOY-
 6 EES.—Section 455(f) of the Higher Education Act of
 7 1965 (20 U.S.C. 1087e(f)) is amended by adding at the
 8 end the following:

9 “(5) DEFERMENT WITHOUT INTEREST AC-
 10 CRUAL FOR SMALL BUSINESS STARTUP FOUNDERS
 11 AND EMPLOYEES.—

12 “(A) IN GENERAL.—Subject to subpara-
 13 graph (B), a qualifying small business startup
 14 borrower shall be eligible for a deferment, dur-
 15 ing which periodic installments of principal
 16 need not be paid and interest shall not accrue,
 17 during any period while the borrower is em-
 18 ployed as a founder or full-time employee of a
 19 small business startup.

20 “(B) LIMITATIONS.—A qualifying small
 21 business startup borrower shall not receive a
 22 deferment under this paragraph for any pe-
 23 riod—

24 “(i) in excess of 3 years; or

25 “(ii) that begins more than 5 years,
 26 or ends more than 8 years, after the date

the small business startup was established
 (as determined by the small business devel-
 opment center that approved such bor-
 rower under section 21(o)(5) of the Small
 Business Act (15 U.S.C. 648(o)(5))).

“(C) DEFINITIONS.—In this paragraph—

“(i) the terms ‘founder’, ‘full-time em-
 ployee’, and ‘small business startup’ have
 the meanings given the terms in subsection
 (r)(2); and

“(ii) the term ‘qualifying small busi-
 ness startup borrower’ means a borrower
 of a loan made under this part whose em-
 ployment as a small business startup
 founder or full-time employee is approved
 by a small business development center
 under section 21(o)(5) of the Small Busi-
 ness Act (15 U.S.C. 648(o)(5)).”.

(b) LOAN CANCELLATION.—Section 455 of the High-
 er Education Act of 1965 (20 U.S.C. 1087e) is amended
 by adding at the end the following:

“(r) LOAN CANCELLATION FOR FOUNDERS AND EM-
 PLOYEES OF SMALL BUSINESS STARTUPS IN DISTRESSED
 AREAS.—

“(1) LOAN CANCELLATION.—

1 “(A) IN GENERAL.—The Secretary shall
2 cancel the balance of interest and principal due,
3 subject to subparagraph (B), on any eligible
4 Federal Direct Loan not in default for a bor-
5 rower who—

6 “(i) at the time of such cancellation,
7 is employed as a founder or full-time em-
8 ployee of a small business startup in a dis-
9 tressed area who—

10 “(I) has been approved for loan
11 cancellation by a small business devel-
12 opment center under section 21(o)(6)
13 of the Small Business Act (15 U.S.C.
14 648(o)(6)); and

15 “(II) began such employment
16 during the 5-year period beginning on
17 the date that the small business start-
18 up was established (as determined by
19 such small business development cen-
20 ter); and

21 “(ii) during the time period for which
22 the borrower has been approved by the
23 small business development center, which
24 in no case shall be more than 10 years
25 after the date on which the small business

1 startup was established, has made 24
 2 monthly payments on the eligible Federal
 3 Direct Loan pursuant to any repayment
 4 plan under subsection (d)(1) or a combina-
 5 tion of such plans while so employed.

6 “(B) LOAN CANCELLATION MAXIMUM.—

7 The Secretary shall cancel under this subsection
 8 not more than an aggregate of \$20,000 of the
 9 loan obligation on the eligible Federal Direct
 10 Loans of a borrower.

11 “(C) TIMING REQUIREMENTS.—Each of

12 the 24 monthly payments required under this
 13 subsection shall be made after the date of en-
 14 actment of this subsection.

15 “(D) INELIGIBILITY FOR DOUBLE BENE-

16 FITS.—No borrower may, for the same service,
 17 receive a reduction of loan obligations under
 18 both this subsection and—

19 “(i) subsection (m); or

20 “(ii) section 428J, 428K, 428L, or

21 460.

22 “(2) DEFINITIONS.—In this subsection:

23 “(A) DISTRESSED AREA.—The term ‘dis-

24 tressed area’ has the meaning given the term in

1 section 21(o)(1) of the Small Business Act (15
2 U.S.C. 648(o)(1)).

3 “(B) ELIGIBLE FEDERAL DIRECT LOAN.—
4 The term ‘eligible Federal Direct Loan’ means
5 a Federal Direct Stafford Loan, Federal Direct
6 PLUS Loan, Federal Direct Unsubsidized Staf-
7 ford Loan, or a Federal Direct Consolidation
8 Loan.

9 “(C) FOUNDER; FULL-TIME EMPLOYEE.—
10 The terms ‘founder’ and ‘full-time employee’
11 have the meanings given the terms in section
12 21(o)(1) of the Small Business Act (15 U.S.C.
13 648(o)(1)).

14 “(D) SMALL BUSINESS STARTUP.—The
15 term ‘small business startup’ means a business
16 that is certified by a small business develop-
17 ment center under section 21(o)(3) of the Small
18 Business Act (15 U.S.C. 648(o)(3)).”.

19 (c) CONFORMING AMENDMENTS.—Title IV of the
20 Higher Education Act of 1965 (20 U.S.C. 1070a et seq.)
21 is further amended—

22 (1) in section 428J(g)(2), by striking “section
23 455(m)” and inserting “subsection (m) or (r) of sec-
24 tion 455”;

25 (2) in section 428K(f)—

1 (A) by inserting “subsection (m) or (r) of
2 section 455 or” before “section 428J”; and

3 (B) by striking “455(m)”;

4 (3) in section 428L(g), by striking “455(m)”
5 and inserting “subsection (m) or (r) of section 455”;

6 (4) in section 455(m)(4), by inserting “sub-
7 section (r) or” before “section 428J”; and

8 (5) in section 460(g)(2)(B), by striking “section
9 455(m)” and inserting “subsection (m) or (r) of sec-
10 tion 455”.

11 **SEC. 3. SMALL BUSINESS DEVELOPMENT CENTERS.**

12 Section 21 of the Small Business Act (15 U.S.C. 648)
13 is amended—

14 (1) in subsection (c)(3)—

15 (A) in subparagraph (S), by striking
16 “and” at the end;

17 (B) in subparagraph (T), by striking the
18 period at the end and inserting a semicolon;
19 and

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

21 “(U) certifying small business startups under
22 subsection (o)(3); and

23 “(V) approving loan deferment or cancellation
24 under paragraph (5) or (6) of subsection (o) for

1 founders and full-time employees of certain small
 2 business startups.”; and

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

4 “(o) DEFERMENT OR CANCELLATION OF CERTAIN
 5 LOANS.—

6 “(1) DEFINITIONS.—In this subsection—

7 “(A) the term ‘distressed area’ has the
 8 meaning given the term ‘low-income community’
 9 in section 45D(e) of the Internal Revenue Code
 10 of 1986;

11 “(B) the term ‘eligible Federal Direct
 12 Loan’ has the meaning given the term in sec-
 13 tion 455(r)(2) of the Higher Education Act of
 14 1965;

15 “(C) the terms ‘founder’ and ‘full-time em-
 16 ployee’, with respect to a small business start-
 17 up, have the meanings given the terms by the
 18 Administrator; and

19 “(D) the term ‘small business startup’
 20 means a small business concern that, as of the
 21 date that the small business concern submits an
 22 application under paragraph (3), has been in
 23 existence for not more than 3 years.

24 “(2) ROLE OF SMALL BUSINESS DEVELOPMENT
 25 CENTERS.—Any small business development center

1 may, for purposes of eligible Federal Direct Loan
 2 deferment or cancellation under subsection (f)(5) or
 3 (r) of section 455 of the Higher Education Act of
 4 1965 (20 U.S.C. 1087e)—

5 “(A) certify a small business startup under
 6 paragraph (3); and

7 “(B) approve eligible Federal Direct Loan
 8 deferment or cancellation for a founder or full-
 9 time employee of a qualifying small business
 10 startup under paragraph (5) or (6).

11 “(3) CERTIFICATION.—In order to be certified
 12 by a small business development center, a small
 13 business startup shall submit to the small business
 14 development center an application that includes—

15 “(A) a 5-year business plan for the small
 16 business startup;

17 “(B) the number of employees that the
 18 small business startup intends to employ on an
 19 annual basis; and

20 “(C) information that demonstrates that
 21 the small business startup has the potential for
 22 success.

23 “(4) PUBLICATION OF DISTRESSED AREAS.—
 24 The Administrator shall identify and make publicly

1 available on the website of the Administration a list
2 of distressed areas.

3 “(5) LOAN DEFERMENT FOR FOUNDERS AND
4 FULL-TIME EMPLOYEES OF A SMALL BUSINESS
5 STARTUP.—

6 “(A) APPLICATION.—In order to be ap-
7 proved by a small business development center
8 for eligible Federal Direct Loan deferment
9 under subsection (f)(5) of section 455 of the
10 Higher Education Act of 1965 (20 U.S.C.
11 1087e), a borrower of an eligible Federal Direct
12 Loan shall submit to the small business devel-
13 opment center an application that includes such
14 information as the Administrator may require.

15 “(B) REQUIREMENTS.—A small business
16 development center shall approve a borrower
17 who applies under subparagraph (A) for eligible
18 Federal Direct Loan deferment if the small
19 business development center determines that—

20 “(i) the borrower is, as of the date of
21 the application, a founder or full-time em-
22 ployee of a small business startup that is
23 certified under paragraph (3); and

24 “(ii) the employment of the borrower
25 with the small business startup began dur-

1 ing the 5-year period beginning on the date
2 on which the small business startup was
3 established.

4 “(6) LOAN CANCELLATION FOR FOUNDERS AND
5 FULL-TIME EMPLOYEES OF A SMALL BUSINESS
6 STARTUP IN A DISTRESSED AREA.—

7 “(A) APPLICATION.—In order to be ap-
8 proved by a small business development center
9 for eligible Federal Direct Loan cancellation
10 under subsection (r) of section 455 of the High-
11 er Education Act of 1965 (20 U.S.C. 1087e), a
12 borrower of an eligible Federal Direct Loan
13 shall submit to the small business development
14 center an application that includes such infor-
15 mation as the Administrator may require, in-
16 cluding an identification of the time period dur-
17 ing which the borrower has made 24 monthly
18 payments on the eligible Federal Direct Loan,
19 as required under subparagraphs (A)(ii) and
20 (C) of paragraph (1) of such subsection (r).

21 “(B) REQUIREMENTS.—A small business
22 development center shall approve a borrower
23 who applies under subparagraph (A) for eligible
24 Federal Direct Loan cancellation if the small

1 business development center determines that
2 the borrower—

3 “(i) as of the date of the application,
4 is employed as a founder or full-time em-
5 ployee of a small business startup that—

6 “(I) is located in an area that
7 was a distressed area when the small
8 business startup was established;

9 “(II) is certified under paragraph
10 (3) by the small business development
11 center; and

12 “(III) as of the date that the
13 small business development center ap-
14 proves the borrower under this para-
15 graph, has been operating continu-
16 ously for not less than 5 years and
17 not more than 10 years; and

18 “(ii) was employed as a founder or a
19 full-time employee by a small business
20 startup described in clause (i) during a pe-
21 riod beginning not more than 5 years after
22 the date on which the small business start-
23 up was established, as identified by the
24 borrower under subparagraph (A).”.

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