

116TH CONGRESS
1ST SESSION

H. R. 3257

To increase purchasing power, strengthen economic recovery, and restore fairness in financing higher education in the United States through student loan forgiveness, caps on interest rates on Federal student loans, and refinancing opportunities for private borrowers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 2019

Ms. BASS (for herself, Ms. NORTON, Mr. BISHOP of Georgia, Mr. CLYBURN, Ms. JOHNSON of Texas, Mr. RUSH, Mr. THOMPSON of Mississippi, Ms. JACKSON LEE, Ms. LEE of California, Mrs. LAWRENCE, Mr. CLAY, Mr. BUTTERFIELD, Mr. CLEAVER, Mr. JOHNSON of Georgia, Ms. FUDGE, Mr. RICHMOND, Mr. PAYNE, Ms. KELLY of Illinois, Ms. ADAMS, Ms. PLASKETT, and Mrs. HAYES) introduced the following bill; which was referred to the Committee on Education and Labor, and in addition to the Committees on Financial Services, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To increase purchasing power, strengthen economic recovery, and restore fairness in financing higher education in the United States through student loan forgiveness, caps on interest rates on Federal student loans, and refinancing opportunities for private borrowers, 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 “Student Loan Fairness
5 Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) A well-educated citizenry is critical to our
9 Nation’s ability to compete in the global economy.

10 (2) The Federal Government has a vested inter-
11 est in ensuring access to higher education.

12 (3) Higher education should be viewed as a
13 public good benefitting our country rather than as a
14 commodity solely benefitting individual students.

15 (4) Total outstanding student loan debt offi-
16 cially surpassed total credit card debt in the United
17 States in 2015, and now exceeds
18 \$1,400,000,000,000.

19 (5) Excessive student loan debt is impeding eco-
20 nomic growth in the United States. Faced with ex-
21 cessive repayment burdens, many individuals are un-
22 able to start businesses, invest, or buy homes. Re-
23 lieving student loan debt would give these individuals
24 greater control over their earnings and would in-

1 crease entrepreneurship and demand for goods and
2 services.

3 (6) Because of soaring tuition costs, students
4 often have no choice but to amass significant debt
5 to obtain an education that is widely considered a
6 prerequisite for earning a living wage.

7 (7) Amidst rising tuition rates and stagnant
8 grant funding, many students are forced to supple-
9 ment Federal loans with private loans, which fre-
10 quently feature higher interest rates with fewer con-
11 sumer protections.

12 (8) A borrower who experiences an extended
13 hardship for whatever reason, or a borrower who ex-
14 periences a series of separate hardships over a
15 longer period of time, will often have no choice but
16 to default on his or her private student loans. Op-
17 portunities to put such private loans into forbear-
18 ance are limited.

19 (9) During the period of forbearance on private
20 student loans, interest continues to accrue and is
21 capitalized, and once the borrower comes out of for-
22 bearance, he or she owes significantly more on the
23 principal of the loan than before the hardship period
24 began.

1 **SEC. 3. 10/10 LOAN REPAYMENT AND FORGIVENESS.**

2 Part G of title IV of the Higher Education Act of
3 1965 is amended by adding at the end the following:

4 **“SEC. 493E. 10/10 LOAN REPAYMENT AND FORGIVENESS.**

5 **“(a) 10/10 LOAN REPAYMENT PLAN.—**

6 **“(1) 10/10 LOAN REPAYMENT PLAN AUTHOR-**
7 **IZED.—**Notwithstanding any other provision of this
8 Act, the Secretary shall carry out a program (to be
9 known as the ‘10/10 Loan Repayment Plan’) under
10 which—

11 **“(A) a borrower of an eligible loan who is**
12 **eligible under paragraph (3) may elect to have**
13 **the borrower’s aggregate monthly payment for**
14 **all such loans not exceed the monthly payment**
15 **amount described in paragraph (2);**

16 **“(B) any interest due and not paid under**
17 **a monthly payment under this subsection—**

18 **“(i) shall continue to accrue; and**

19 **“(ii) shall be capitalized up to an**
20 **amount equal to 10 percent of the original**
21 **principal amount of all the eligible loans**
22 **that the borrower is repaying under this**
23 **subsection;**

24 **“(C) any principal due and not paid under**
25 **a monthly payment under this subsection shall**
26 **be deferred, and shall be forgiven in accordance**

1 with subsection (b) if the borrower meets the
2 requirements for forgiveness under such sub-
3 section;

4 “(D) the amount of time the borrower
5 makes monthly payments under this subsection
6 may exceed 10 years;

7 “(E) a borrower who is repaying an eligi-
8 ble loan pursuant to 10/10 Loan Repayment
9 under this subsection may elect, at any time, to
10 terminate repayment pursuant to 10/10 Loan
11 Repayment and repay such loan under the
12 standard repayment plan, in which case the
13 amount of time the borrower is permitted to
14 repay such loans may exceed 10 years; and

15 “(F) the special allowance payment to a
16 lender calculated under section 438(b)(2)(I),
17 when calculated for a loan in repayment under
18 this section, shall be calculated on the principal
19 balance of the loan and on any accrued interest
20 unpaid by the borrower in accordance with this
21 section.

22 “(2) 10/10 LOAN REPAYMENT MONTHLY PAY-
23 MENT FORMULA.—A borrower who has elected to
24 participate in the 10/10 Loan Repayment Plan
25 under this subsection shall, during each month the

1 borrower is participating in such Plan, make a
2 monthly payment in an amount equal to—

3 “(A) one-twelfth of the amount that is 10
4 percent of the result obtained by calculating, on
5 at least an annual basis, the amount by
6 which—

7 “(i) the borrower’s, and the bor-
8 rower’s spouse’s (if applicable), adjusted
9 gross income; exceeds

10 “(ii) 150 percent of the poverty line
11 applicable to the borrower’s family size as
12 determined under section 673(2) of the
13 Community Services Block Grant Act (42
14 U.S.C. 9902(2)), as adjusted by

15 “(iii) the regional variation in the cost
16 of living (determined by the Secretary, in
17 consultation with the Bureau of Economic
18 Analysis of the Department of Commerce
19 and the Bureau of Labor Statistics of the
20 Department of Labor) for the geographic
21 area in which the borrower resides, so that
22 a borrower residing in a higher cost geo-
23 graphic area will experience a downward
24 trend in such monthly payment amount; or

1 “(B) in the case of a borrower who is in
2 deferment due to an economic hardship de-
3 scribed in section 435(o), \$0.

4 “(3) ELIGIBILITY.—The Secretary shall estab-
5 lish procedures for annually determining the bor-
6 rower’s eligibility for 10/10 Loan Repayment, includ-
7 ing verification of a borrower’s annual adjusted
8 gross income and the annual amount due on the
9 total amount of eligible loans, and such other proce-
10 dures as are necessary to effectively implement 10/
11 10 Loan Repayment under this subsection.

12 “(4) SPECIAL RULE FOR MARRIED BORROWERS
13 FILING SEPARATELY.—In the case of a married bor-
14 rower who files a separate Federal income tax re-
15 turn, the Secretary shall calculate the amount of the
16 borrower’s 10/10 Loan Repayment under this sub-
17 section solely on the basis of the borrower’s student
18 loan debt and adjusted gross income, and the re-
19 gional variation in the cost of living described in
20 paragraph (2)(A)(iii).

21 “(b) 10/10 LOAN FORGIVENESS.—

22 “(1) IN GENERAL.—The Secretary shall carry
23 out a program (to be known as the ‘10/10 Loan
24 Forgiveness Program’) to forgive a qualified loan
25 amount, in accordance with paragraph (3), on an eli-

1 gible loan for a borrower who, after the date that is
2 10 years prior to the date of enactment of the Stu-
3 dent Loan Fairness Act, has made 120 monthly pay-
4 ments on the eligible loan pursuant to any one or a
5 combination of the following:

6 “(A) Monthly payment under the 10/10
7 Loan Repayment Plan under subsection (a).

8 “(B) Monthly payment under any other re-
9 payment plan authorized under part B or D of
10 an amount that, for a given month, is not less
11 than the monthly payment amount calculated
12 under subsection (a) that the borrower would
13 have owed in the year in which such payment
14 was made, based on the borrower’s adjusted
15 gross income and eligible loan balance for such
16 year.

17 “(C) For any month after such date dur-
18 ing which the borrower is in deferment due to
19 an economic hardship described in section
20 435(o), monthly payment of \$0.

21 “(2) METHOD OF LOAN FORGIVENESS.—To
22 provide loan forgiveness under paragraph (1), the
23 Secretary is authorized to carry out a program—

24 “(A) through the holder of the loan, to as-
25 sume the obligation to repay a qualified loan

1 amount for a loan made, insured, or guaranteed
2 under part B of this title; and

3 “(B) to cancel a qualified loan amount for
4 a loan made under part D of this title.

5 “(3) QUALIFIED LOAN AMOUNT.—After the
6 borrower has made 120 monthly payments described
7 in paragraph (1), the Secretary shall forgive—

8 “(A) with respect to new borrowers on or
9 after the date of enactment of the Student
10 Loan Fairness Act, the sum of—

11 “(i) the balance of principal and fees
12 due on the borrower’s eligible loans as of
13 the time of such forgiveness, not to exceed
14 \$45,520; and

15 “(ii) the amount of interest that has
16 accrued on the balance described in clause
17 (i) as of the time of such forgiveness; or

18 “(B) with respect to any other eligible bor-
19 rower, the balance of principal, interest, and
20 fees due on the borrower’s eligible loans as of
21 the time of such forgiveness.

22 “(4) EXCLUSION FROM TAXABLE INCOME.—
23 The amount of a borrower’s eligible loans forgiven
24 under this section shall not be included in the gross

1 income of the borrower for purposes of the Internal
2 Revenue Code of 1986.

3 “(c) SUPPORTING DOCUMENTATION REQUIRED.—A
4 borrower who has elected to participate in the 10/10 Loan
5 Repayment Plan under subsection (a), or who is request-
6 ing forgiveness under the 10/10 Loan Forgiveness Pro-
7 gram under subsection (b), shall provide to the Secretary
8 such information and documentation as the Secretary de-
9 termines, by regulation, to be necessary to verify the bor-
10 rower’s adjusted gross income and payment amounts
11 made on eligible loans of the borrower for the purposes
12 of such Plan or Program.

13 “(d) DEFINITION OF ELIGIBLE LOAN.—In this sec-
14 tion the term ‘eligible loan’ means any loan made, insured,
15 or guaranteed under part B or D.”.

16 **SEC. 4. CAPPING INTEREST RATES FOR ALL FEDERAL DI-**
17 **RECT LOANS.**

18 Section 455(b) of the Higher Education Act of 1965
19 (20 U.S.C. 1087e(b)) is amended—

20 (1) by redesignating paragraphs (9) and (10)
21 as paragraphs (10) and (11), respectively; and

22 (2) by inserting after paragraph (8) the fol-
23 lowing:

24 “(8) RATE OF INTEREST FOR ALL NEW FED-
25 ERAL DIRECT LOANS.—Notwithstanding any other

1 provision of this Act, with respect to a loan under
 2 this part for which the first disbursement of prin-
 3 cipal is made (or in the case of a Federal Direct
 4 Consolidation Loan, for which the application is re-
 5 ceived) on or after October 1, 2020, or the date of
 6 enactment of the Student Loan Fairness Act, which-
 7 ever is later, the applicable rate of interest shall not
 8 exceed 3.4 percent.”.

9 **SEC. 5. 10/10 LOAN REPAYMENT PLAN AS PLAN SELECTED**

10 **BY THE SECRETARY.**

11 (a) FFEL LOANS.—

12 (1) IN GENERAL.—Section 428(b)(9) of the
 13 Higher Education Act of 1965 (20 U.S.C.
 14 1078(b)(9)) is amended—

15 (A) in subparagraph (A)—

16 (i) by striking “and” at the end of
 17 clause (iv);

18 (ii) in clause (v), by striking the pe-
 19 riod at the end and inserting “; and”; and

20 (iii) by adding at the end the fol-
 21 lowing new clause:

22 “(vi) beginning October 1, 2020, a
 23 10/10 Loan Repayment Plan, with varying
 24 annual repayment amounts based on the

1 discretionary income of the borrower, in
2 accordance with section 493E.”; and

3 (B) in subparagraph (B), by striking
4 “(A)(i)” and inserting “(A)(vi)”.

5 (2) EFFECTIVE DATE.—The amendment made
6 by paragraph (1)(B) shall be effective beginning Oc-
7 tober 1, 2020.

8 (b) DIRECT LOANS.—

9 (1) IN GENERAL.—Section 455(d) of the High-
10 er Education Act of 1965 (20 U.S.C. 1087e(d)) is
11 amended—

12 (A) in paragraph (1)—

13 (i) by striking “and” at the end of
14 subparagraph (D);

15 (ii) in subparagraph (E), by striking
16 the period at the end and inserting “;
17 and”; and

18 (iii) by adding at the end the fol-
19 lowing new subparagraph:

20 “(F) beginning on October 1, 2020, a 10/
21 10 Loan Repayment Plan, with varying annual
22 repayment amounts based on the discretionary
23 income of the borrower, in accordance with sec-
24 tion 493E.”; and

25 (B) in paragraph (2)—

- 1 (i) by striking “may” and inserting
2 “shall”; and
3 (ii) by striking “(A), (B), or (C)” and
4 inserting “(F)”.

5 (2) EFFECTIVE DATE.—The amendment made
6 by paragraph (1)(B) shall be effective beginning Oc-
7 tober 1, 2020.

8 **SEC. 6. IMPROVING AND EXPANDING PUBLIC SERVICE**
9 **LOAN FORGIVENESS.**

10 Section 455(m) of the Higher Education Act of 1965
11 (20 U.S.C. 1087e(m)) is amended—

12 (1) in paragraph (1), by striking “120” and in-
13 serting “60” each place it appears; and

14 (2) in paragraph (3)(B)—

15 (A) in clause (i), by striking “or” after the
16 semicolon;

17 (B) in clause (ii), by striking the period
18 and inserting “; or”; and

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

20 “(iii) a full-time job as a primary care
21 physician in an area or population des-
22 ignated as a Medically Underserved Area
23 or Population by the Health Resource and
24 Services Administration.”.

1 **SEC. 7. REFINANCING PRIVATE EDUCATION LOANS FOR**
2 **CERTAIN BORROWERS.**

3 (a) CONSOLIDATION FOR CERTAIN BORROWERS.—
4 Section 455(g) of the Higher Education Act of 1965 (20
5 U.S.C. 1087e(g)) is amended—

6 (1) by striking “A borrower” and inserting the
7 following:

8 “(1) IN GENERAL.—A borrower”;

9 (2) by inserting “, and any loan described in
10 paragraph (2)” after “July 1, 2010”; and

11 (3) by adding at the end the following new
12 paragraph:

13 “(2) CONSOLIDATION OF PRIVATE EDUCATION
14 LOANS AS A FEDERAL DIRECT CONSOLIDATION LOAN
15 FOR CERTAIN BORROWERS.—

16 “(A) IN GENERAL.—Notwithstanding any
17 other provision of law, a borrower who meets
18 the eligibility criteria described in subparagraph
19 (B) shall be eligible to obtain a Federal Direct
20 Consolidation loan under this paragraph that—

21 “(i) shall include an eligible private
22 education loan; and

23 “(ii) may include a loan described in
24 section 428C(a)(4).

25 “(B) ELIGIBLE BORROWER.—A borrower
26 of an eligible private education loan is eligible

1 to obtain a Federal Direct Consolidation Loan
2 under this paragraph if the borrower—

3 “(i) was eligible to borrow a loan
4 under section 428H, a Federal Direct Un-
5 subsidized Stafford Loan, a loan under
6 section 428B, or a Federal Direct PLUS
7 loan for a period of enrollment at an insti-
8 tution of higher education, or, with respect
9 to a borrower who was enrolled at an insti-
10 tution of higher education on less than a
11 half-time basis, would have been eligible to
12 borrow such a loan for such period of en-
13 rollment if the borrower had been enrolled
14 on at least a half-time basis;

15 “(ii) borrowed at least one eligible pri-
16 vate education loan for a period of enroll-
17 ment described in clause (i); and

18 “(iii) has an average adjusted gross
19 income (based on the borrower’s adjusted
20 gross income from the 3 most recent cal-
21 endar years before application for consoli-
22 dation under this section) that is equal to
23 or less than the borrower’s total education
24 debt (determined by calculating the sum of
25 the borrower’s loans described in section

1 428C(a)(4) and eligible private education
2 loans) at the time of such application.

3 “(C) DEFINITION OF ELIGIBLE PRIVATE
4 EDUCATION LOAN.—For purposes of this para-
5 graph, the term ‘eligible private education loan’
6 means a private education loan (as such term
7 is defined in section 140 of the Truth in Lend-
8 ing Act (15 U.S.C. 1650)) made on or before
9 the date of enactment of the Student Loan
10 Fairness Act, including the amount of out-
11 standing principal, accrued interest, and related
12 fees and costs (as determined by the Secretary)
13 owed by a borrower on such a loan.

14 “(D) PURCHASE OF LOAN.—For each eli-
15 gible private education loan that a borrower is
16 consolidating under this paragraph, the Sec-
17 retary shall notify the holder that the Secretary
18 is purchasing the loan, and the Secretary shall
19 then purchase such loan, as described under
20 section 140A of the Truth in Lending Act.

21 “(E) TERMS AND RATE OF INTEREST.—A
22 Federal Direct Consolidation Loan made under
23 this paragraph shall have the same terms and
24 conditions as a Federal Direct Consolidation
25 loan under paragraph (1), except that the appli-

1 cable rate of interest for a Federal Direct Con-
2 solidation loan made under this paragraph shall
3 not exceed 3.4 percent.

4 “(F) NOTIFICATION OF ELIGIBLE BOR-
5 ROWERS.—The Secretary shall take such steps
6 as may be necessary to notify eligible borrowers
7 of the availability of consolidation under this
8 paragraph no later than 60 days after the date
9 of enactment of the Student Loan Fairness Act,
10 including notifying such borrowers of the dead-
11 line to apply for such a loan under subpara-
12 graph (G).

13 “(G) APPLICATION DEADLINE FOR LOANS
14 UNDER THIS PARAGRAPH.—A borrower may
15 apply for loans under this paragraph during the
16 1-year period beginning on the date of enact-
17 ment of the Student Loan Fairness Act. The
18 Secretary shall not make a Federal Direct Con-
19 solidation Loan under this paragraph to any
20 borrower who has not submitted an application
21 for such a loan to the Secretary before the end
22 of such period.

23 “(H) AUTHORIZATION AND APPROPRIA-
24 TION.—There are authorized to be appro-
25 priated, and there are appropriated, such sums

1 as may be necessary to carry out this para-
2 graph.”.

3 (b) SALE OF PRIVATE EDUCATION LOANS TO THE
4 GOVERNMENT.—Chapter 2 of the Truth in Lending Act
5 (15 U.S.C. 1631 et seq.) is amended—

6 (1) by redesignating section 140A as section
7 140B; and

8 (2) by inserting after section 140 the following:

9 **“§ 140A. Sale of private education loans to the Gov-**
10 **ernment**

11 “(a) IN GENERAL.—The Bureau shall issue regula-
12 tions to require a private education lender to sell an eligi-
13 ble private education loan to the Secretary of Education,
14 upon request of the Secretary, for purposes of consoli-
15 dating such loan, as described under section 455(g)(2) of
16 the Higher Education Act of 1965.

17 “(b) DETERMINATION OF PRICE.—The price paid for
18 a private education loan under subsection (a) shall—

19 “(1) include the amount of outstanding prin-
20 cipal on the loan, the amount of accrued interest on
21 the loan, and any fees or other costs owed by the
22 consumer on the loan; and

23 “(2) be adjusted to account for the time value
24 of such amount.

25 “(c) DEFINITIONS.—For purposes of this section:

1 “(1) ELIGIBLE PRIVATE EDUCATION LOAN.—

2 The term ‘eligible private education loan’ means a
3 private education loan, as defined under section
4 140(a), made on or before the date of enactment of
5 the Student Loan Fairness Act.

6 “(2) PRIVATE EDUCATION LENDER.—The term
7 ‘private education lender’ has the meaning given
8 such term under section 140(a).”; and

9 (3) in the table of contents for such chapter—
10 (A) by redesignating the item relating to
11 section 140A as item 140B; and
12 (B) by inserting after the item relating to
13 section 140 the following:

“140A. Sale of private education loans to the Government.”.

14 (c) CONFORMING AMENDMENT.—Section
15 428C(a)(3)(B)(i)(V) of the Higher Education Act of 1965
16 (20 U.S.C. 1078–3(a)(3)(B)(i)(V)) is amended—

17 (1) by striking “or” at the end of item (bb);
18 (2) by striking the period at the end of item
19 (cc) and inserting “; or”; and
20 (3) by adding at the end the following:

21 “(dd) for the purpose of
22 consolidating an eligible private
23 education loan under section
24 455(g)(2), whether such loan is
25 consolidated alone, with other eli-

1 gible private education loans, or
 2 with loans described in para-
 3 graph (4).”.

4 **SEC. 8. INTEREST-FREE DEFERMENT OF UNSUBSIDIZED**
 5 **LOANS DURING PERIODS OF UNEMPLOY-**
 6 **MENT.**

7 (a) FFEL UNSUBSIDIZED LOAN DEFERMENT.—

8 (1) Section 428H(e)(2) of the Higher Edu-
 9 cation Act of 1965 (20 U.S.C. 1078–8(e)(2)) is
 10 amended—

11 (A) in subparagraph (A), by striking “sub-
 12 paragraph (C)” and inserting “subparagraphs
 13 (C) and (D)”; and

14 (B) by adding at the end the following:

15 “(D) Interest on loans made under this section
 16 for which payments are deferred under clause (ii) of
 17 section 428(b)(1)(M), for a period of deferment
 18 granted to a borrower on or after the date of enact-
 19 ment of the Student Loan Fairness Act, shall accrue
 20 and be paid by the Secretary during any period dur-
 21 ing which loans are so deferred, not in excess of 3
 22 years.”.

23 (2) CONFORMING AMENDMENT.—Section
 24 428(b)(1)(Y)(iii) of the Higher Education Act of
 25 1965 (20 U.S.C. 1078(b)(1)(Y)(iii)) is amended by

1 inserting “(other than a deferment under clause (ii)
2 of such subparagraph on or after the date of enact-
3 ment of the Student Loan Fairness Act)” after “of
4 this paragraph”.

5 (b) DIRECT UNSUBSIDIZED LOAN DEFERMENT.—
6 Section 455(f)(1) of the Higher Education Act of 1965
7 (20 U.S.C. 1087e(f)(1)) is amended—

8 (1) in subparagraph (A)—

9 (A) by striking “or” at the end of clause
10 (i); and

11 (B) by adding at the end the following:

12 “(iii) a Federal Direct Unsubsidized
13 Stafford Loan, with respect to a period of
14 deferment described in subparagraph (B)
15 of paragraph (2) granted to a borrower on
16 or after the date of enactment of the Stu-
17 dent Loan Fairness Act; or”; and

18 (2) in subparagraph (B), by inserting “not de-
19 scribed in subparagraph (A)(iii)” after “Unsub-
20 sidized Stafford Loan”.

21 (c) TREATMENT OF CONSOLIDATION LOANS.—Sec-
22 tion 428C(b)(4)(C)(ii) of the Higher Education Act of
23 1965 (20 U.S.C. 1078–3(b)(4)(C)(ii)) is amended—

24 (1) by striking “or” at the end of subclause
25 (II);

1 (2) by redesignating subclause (III) as sub-
2 clause (IV);

3 (3) by inserting after subclause (II) the fol-
4 lowing:

5 “(III) by the Secretary, in the
6 case of a consolidation loan for which
7 the application is received on or after
8 the date of enactment of the Student
9 Loan Fairness Act, except that the
10 Secretary shall pay such interest only
11 for a period not in excess of 3 years
12 for which the borrower would be eligi-
13 ble for a deferral under clause (ii) of
14 section 428(b)(1)(M); or”;

15 (4) in subclause (IV) (as redesignated by para-
16 graph (2)), by striking “(I) or (II)” and inserting
17 “(I), (II), or (III)”.

18 (d) INCOME-BASED REPAYMENT.—Section 493C(b)
19 of the Higher Education Act of 1965 (20 U.S.C.
20 10983(b))—

21 (1) in paragraph (3)—

22 (A) in subparagraph (A), by striking
23 “and” after the semicolon;

24 (B) by redesignating subparagraph (B) as
25 subparagraph (C);

1 (C) by inserting after subparagraph (A)
2 the following:

3 “(B) shall, on subsidized and unsubsidized
4 loans, be paid by the Secretary for a period of
5 not more than 3 years during which the bor-
6 rower is eligible for a deferment due to unem-
7 ployment described in section 455(f)(2)(B) (re-
8 gardless of whether the student is in such a
9 deferment), except that—

10 “(i) this subparagraph shall only
11 apply to periods during which the borrower
12 is eligible for such a deferment on or after
13 the date of enactment of the Student Loan
14 Fairness Act; and

15 “(ii) in the case of a subsidized loan,
16 such period shall not include any period
17 described in subparagraph (A) or any pe-
18 riod during which the borrower is in
19 deferment due to an economic hardship de-
20 scribed in section 435(o); and”; and

21 (D) in subparagraph (C) (as so redesign-
22 nated by subparagraph (B))—

23 (i) in clause (i), by striking “subpara-
24 graph (A)” and inserting “subparagraphs
25 (A) and (B)”; and

1 (ii) in clause (ii), by inserting “, sub-
 2 ject to subparagraph (B),” after “unsub-
 3 sidized loan”;

4 (2) by striking “and” at the end of paragraph
 5 (8);

6 (3) by striking the period at the end of para-
 7 graph (9) and inserting “; and”; and

8 (4) by adding at the end the following new
 9 paragraph:

10 “(10) the amount of the principal and interest
 11 on a borrower’s loans repaid or canceled under para-
 12 graph (7) shall not be included in the gross income
 13 of the borrower for purposes of the Internal Revenue
 14 Code of 1986.”.

15 **SEC. 9. EXCLUDING LOANS FORGIVEN UNDER CERTAIN RE-**
 16 **PAYMENT PROGRAMS FROM GROSS INCOME.**

17 Section 455(e)(2) of the Higher Education Act of
 18 1965 (20 U.S.C. 1087e(e)(2)) is amended—

19 (1) in the paragraph heading, by inserting
 20 “AND FORGIVENESS” after “REPAYMENT”; and

21 (2) by adding at the end the following: “The
 22 amount of the principal and interest on a borrower’s
 23 loans forgiven pursuant to income contingent repay-
 24 ment shall not be included in the gross income of

- 1 the borrower for purposes of the Internal Revenue
- 2 Code of 1986.”.

