

113TH CONGRESS
1ST SESSION

H. R. 1330

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

MARCH 21, 2013

Ms. BASS (for herself, Ms. WILSON of Florida, Mr. HINOJOSA, Ms. FUDGE, Mrs. CHRISTENSEN, Ms. CLARKE, Mr. AL GREEN of Texas, Mr. PAYNE, Mr. JOHNSON of Georgia, Mr. CLYBURN, Mr. CLAY, Mr. WATT, Mr. CLEAVER, Mr. DANNY K. DAVIS of Illinois, Mr. HASTINGS of Florida, Mr. SCOTT of Virginia, Ms. LEE of California, Mr. RICHMOND, Mr. LEWIS, Ms. BROWN of Florida, Ms. EDWARDS, Mr. CONYERS, Ms. NORTON, Ms. JACKSON LEE, Mr. RANGEL, Ms. BORDALLO, Mr. SABLAN, Ms. MOORE, Mr. RYAN of Ohio, Mr. GENE GREEN of Texas, Mr. JEFFRIES, Mr. SCHIFF, Mr. BISHOP of Georgia, Ms. LOFGREN, Ms. BROWNLEY of California, and Mr. ELLISON) introduced the following bill; which was referred to the Committee on Education and the Workforce, 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 refi-

nancing 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) Recently, total outstanding student loan
16 debt officially surpassed total credit card debt in the
17 United States in 2010, and is on track to exceed
18 \$1,000,000,000,000.

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)); or

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

18 “(3) ELIGIBILITY.—The Secretary shall estab-
19 lish procedures for annually determining the bor-
20 rower’s eligibility for 10/10 Loan Repayment, includ-
21 ing verification of a borrower’s annual adjusted
22 gross income and the annual amount due on the
23 total amount of eligible loans, and such other proce-
24 dures as are necessary to effectively implement 10/
25 10 Loan Repayment under this subsection.

1 “(4) SPECIAL RULE FOR MARRIED BORROWERS
2 FILING SEPARATELY.—In the case of a married bor-
3 rower who files a separate Federal income tax re-
4 turn, the Secretary shall calculate the amount of the
5 borrower’s 10/10 Loan Repayment under this sub-
6 section solely on the basis of the borrower’s student
7 loan debt and adjusted gross income.

8 “(b) 10/10 LOAN FORGIVENESS.—

9 “(1) IN GENERAL.—The Secretary shall carry
10 out a program (to be known as the ‘10/10 Loan
11 Forgiveness Program’) to forgive a qualified loan
12 amount, in accordance with paragraph (3), on an eli-
13 gible loan for a borrower who, after the date that is
14 10 years prior to the date of enactment of the Stu-
15 dent Loan Fairness Act, has made 120 monthly pay-
16 ments on the eligible loan pursuant to any one or a
17 combination of the following:

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

20 “(B) Monthly payment under any other re-
21 payment plan authorized under part B or D of
22 an amount that, for a given month, is not less
23 than the monthly payment amount calculated
24 under subsection (a) that the borrower would
25 have owed in the year in which such payment

1 was made, based on the borrower’s adjusted
2 gross income and eligible loan balance for such
3 year.

4 “(C) For any month after such date dur-
5 ing which the borrower is in deferment due to
6 an economic hardship described in section
7 435(o), monthly payment of \$0.

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

11 “(A) through the holder of the loan, to as-
12 sume the obligation to repay a qualified loan
13 amount for a loan made, insured, or guaranteed
14 under part B of this title; and

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

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

20 “(A) with respect to new borrowers on or
21 after the date of enactment of the Student
22 Loan Fairness Act, the sum of—

23 “(i) the balance of principal and fees
24 due on the borrower’s eligible loans as of

1 the time of such forgiveness, not to exceed
2 \$45,520; and

3 “(ii) the amount of interest that has
4 accrued on the balance described in clause
5 (i) as of the time of such forgiveness; or

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

10 “(4) EXCLUSION FROM TAXABLE INCOME.—

11 The amount of a borrower’s eligible loans forgiven
12 under this section shall not be included in the gross
13 income of the borrower for purposes of the Internal
14 Revenue Code of 1986.

15 “(c) SUPPORTING DOCUMENTATION REQUIRED.—A

16 borrower who has elected to participate in the 10/10 Loan
17 Repayment Plan under subsection (a), or who is request-
18 ing forgiveness under the 10/10 Loan Forgiveness Pro-
19 gram under subsection (b), shall provide to the Secretary
20 such information and documentation as the Secretary de-
21 termines, by regulation, to be necessary to verify the bor-
22 rower’s adjusted gross income and payment amounts
23 made on eligible loans of the borrower for the purposes
24 of such Plan or Program.

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

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

6 Section 455(b) of the Higher Education Act of 1965
7 (20 U.S.C. 1087e(b)) is amended—

8 (1) by redesignating paragraphs (8) and (9) as
9 paragraphs (9) and (10), respectively; and

10 (2) by inserting after paragraph (7) the fol-
11 lowing:

12 “(8) RATE OF INTEREST FOR ALL NEW FED-
13 ERAL DIRECT LOANS.—Notwithstanding any other
14 provision of this Act, with respect to a loan under
15 this part for which the first disbursement of prin-
16 cipal is made (or in the case of a Federal Direct
17 Consolidation Loan, for which the application is re-
18 ceived) on or after July 1, 2013, or the date of en-
19 actment of the Student Loan Fairness Act, which-
20 ever is later, the applicable rate of interest shall not
21 exceed 3.4 percent.”.

22 **SEC. 5. 10/10 LOAN REPAYMENT PLAN AS PLAN SELECTED**
23 **BY THE SECRETARY.**

24 (a) FFEL LOANS.—

1 (1) IN GENERAL.—Section 428(b) of the High-
2 er Education Act of 1965 (20 U.S.C. 1078(b)(9)) is
3 amended—

4 (A) in subparagraph (A)—

5 (i) by striking “and” at the end of
6 clause (iv);

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

9 (iii) by adding at the end the fol-
10 lowing new clause:

11 “(vi) beginning July 1, 2013, a 10/10
12 Loan Repayment Plan, with varying an-
13 nual repayment amounts based on the dis-
14 cretionary income of the borrower, in ac-
15 cordance with section 493E.”; and

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

18 (2) EFFECTIVE DATE.—The amendment made
19 by paragraph (1)(B) shall be effective beginning
20 July 1, 2013.

21 (b) DIRECT LOANS.—

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

25 (A) in paragraph (1)—

1 (i) by striking “and” at the end of
2 subparagraph (D);

3 (ii) in subparagraph (E), by striking
4 the period at the end and inserting a semi-
5 colon; and

6 (iii) by adding at the end the fol-
7 lowing new subparagraph:

8 “(F) beginning on July 1, 2013, a 10/10
9 Loan Repayment Plan, with varying annual re-
10 payment amounts based on the discretionary in-
11 come of the borrower, in accordance with sec-
12 tion 493E.”; and

13 (B) in paragraph (2)—

14 (i) by striking “may” and inserting
15 “shall”; and

16 (ii) by striking “(A), (B), or (C)” and
17 inserting “(F)”.

18 (2) EFFECTIVE DATE.—The amendment made
19 by paragraph (1)(B) shall be effective beginning
20 July 1, 2013.

21 **SEC. 6. IMPROVING AND EXPANDING PUBLIC SERVICE**
22 **LOAN FORGIVENESS.**

23 Section 455(m) of the Higher Education Act of 1965
24 (20 U.S.C. 1087e(m)) is amended—

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

3 (2) in paragraph (3)(B)—

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

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

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

9 “(iii) a full-time job as a primary care
10 physician in an area or population des-
11 ignated as a Medically Underserved Area
12 or Population by the Health Resource and
13 Services Administration.”.

14 **SEC. 7. REFINANCING PRIVATE EDUCATION LOANS FOR**
15 **CERTAIN BORROWERS.**

16 (a) CONSOLIDATION FOR CERTAIN BORROWERS.—

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

19 (1) by striking “A borrower” and inserting the
20 following:

21 “(1) IN GENERAL.—A borrower”;

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

24 (3) by adding at the end the following new
25 paragraph:

1 “(2) CONSOLIDATION OF PRIVATE EDUCATION
2 LOANS AS A FEDERAL DIRECT CONSOLIDATION LOAN
3 FOR CERTAIN BORROWERS.—

4 “(A) IN GENERAL.—Notwithstanding any
5 other provision of law, a borrower who meets
6 the eligibility criteria described in subparagraph
7 (B) shall be eligible to obtain a Federal Direct
8 Consolidation loan under this paragraph that—

9 “(i) shall include an eligible private
10 education loan; and

11 “(ii) may include a loan described in
12 section 428C(a)(4).

13 “(B) ELIGIBLE BORROWER.—A borrower
14 of an eligible private education loan is eligible
15 to obtain a Federal Direct Consolidation Loan
16 under this paragraph if the borrower—

17 “(i) was eligible to borrow a loan
18 under section 428H, a Federal Direct Un-
19 subsidized Stafford Loan, a loan under
20 section 428B, or a Federal Direct PLUS
21 loan for a period of enrollment at an insti-
22 tution of higher education, or, with respect
23 to a borrower who was enrolled at an insti-
24 tution of higher education on less than a
25 half-time basis, would have been eligible to

1 borrow such a loan for such period of en-
2 rollment if the borrower had been enrolled
3 on at least a half-time basis;

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

7 “(iii) has an average adjusted gross
8 income (based on the borrower’s adjusted
9 gross income from the 3 most recent cal-
10 endar years before application for consoli-
11 dation under this section) that is equal to
12 or less than the borrower’s total education
13 debt (determined by calculating the sum of
14 the borrower’s loans described in section
15 428C(a)(4) and eligible private education
16 loans) at the time of such application.

17 “(C) DEFINITION OF ELIGIBLE PRIVATE
18 EDUCATION LOAN.—For purposes of this para-
19 graph, the term ‘eligible private education loan’
20 means a private education loan (as such term
21 is defined in section 140 of the Truth in Lend-
22 ing Act (15 U.S.C. 1650)) made on or before
23 the date of enactment of the Student Loan
24 Fairness Act, including the amount of out-
25 standing principal, accrued interest, and related

1 fees and costs (as determined by the Secretary)
2 owed by a borrower on such a loan.

3 “(D) PURCHASE OF LOAN.—For each eli-
4 gible private education loan that a borrower is
5 consolidating under this paragraph, the Sec-
6 retary shall notify the holder that the Secretary
7 is purchasing the loan, and the Secretary shall
8 then purchase such loan, as described under
9 section 140A of the Truth in Lending Act.

10 “(E) TERMS AND RATE OF INTEREST.—A
11 Federal Direct Consolidation Loan made under
12 this paragraph shall have the same terms and
13 conditions as a Federal Direct Consolidation
14 loan under paragraph (1), except that the appli-
15 cable rate of interest for a Federal Direct Con-
16 solidation loan made under this paragraph shall
17 not exceed 3.4 percent.

18 “(F) NOTIFICATION OF ELIGIBLE BOR-
19 ROWERS.—The Secretary shall take such steps
20 as may be necessary to notify eligible borrowers
21 of the availability of consolidation under this
22 paragraph no later than 60 days after the date
23 of enactment of the Student Loan Fairness Act,
24 including notifying such borrowers of the dead-

1 line to apply for such a loan under subpara-
2 graph (G).

3 “(G) APPLICATION DEADLINE FOR LOANS
4 UNDER THIS PARAGRAPH.—A borrower may
5 apply for loans under this paragraph during the
6 1-year period beginning on the date of enact-
7 ment of the Student Loan Fairness Act. The
8 Secretary shall not make a Federal Direct Con-
9 solidation Loan under this paragraph to any
10 borrower who has not submitted an application
11 for such a loan to the Secretary before the end
12 of such period.

13 “(H) AUTHORIZATION AND APPROPRIA-
14 TION.—There are authorized to be appro-
15 priated, and there are appropriated, such sums
16 as may be necessary to carry out this para-
17 graph.”.

18 (b) SALE OF PRIVATE EDUCATION LOANS TO THE
19 GOVERNMENT.—Chapter 2 of the Truth in Lending Act
20 (15 U.S.C. 1631 et seq.) is amended—

21 (1) by redesignating section 140A as section
22 140B;

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

1 **“§ 140A. Sale of private education loans to the Gov-**
2 **ernment**

3 “(a) IN GENERAL.—The Bureau shall issue regula-
4 tions to require a private education lender to sell an eligi-
5 ble private education loan to the Secretary of Education,
6 upon request of the Secretary, for purposes of consoli-
7 dating such loan, as described under section 455(g)(2) of
8 the Higher Education Act of 1965.

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

11 “(1) include the amount of outstanding prin-
12 cipal on the loan, the amount of accrued interest on
13 the loan, and any fees or other costs owed by the
14 consumer on the loan; and

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

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

18 “(1) ELIGIBLE PRIVATE EDUCATION LOAN.—
19 The term ‘eligible private education loan’ means a
20 private education loan, as defined under section
21 140(a), made on or before the date of enactment of
22 the Student Loan Fairness Act.

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

26 (3) in the table of contents for such chapter—

1 (A) by redesignating the item relating to
2 section 140A as item 140B; and

3 (B) by inserting after the item relating to
4 section 140 the following:

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

5 (c) CONFORMING AMENDMENT.—Section
6 428C(a)(3)(B)(i)(V) of the Higher Education Act of 1965
7 (20 U.S.C. 1078–3(a)(3)(B)(i)(V)) is amended—

8 (1) by striking “or” at the end of item (bb);

9 (2) by striking the period at the end of item
10 (cc) and inserting “; or”; and

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

12 “(dd) for the purpose of
13 consolidating an eligible private
14 education loan under section
15 455(g)(2), whether such loan is
16 consolidated alone, with other eli-
17 gible private education loans, or
18 with loans described in para-
19 graph (4).”.

20 **SEC. 8. INTEREST-FREE DEFERMENT OF UNSUBSIDIZED**
21 **LOANS DURING PERIODS OF UNEMPLOY-**
22 **MENT.**

23 (a) FFEL UNSUBSIDIZED LOAN DEFERMENT.—

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

4 (A) in subparagraph (A), by inserting “Ex-
5 cept as provided in subparagraph (C),” before
6 “Interest on”; and

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

8 “(C) Interest on loans made under this section
9 for which payments are deferred under clause (ii) of
10 section 428(b)(1)(M), for a period of deferment
11 granted to a borrower on or after the date of enact-
12 ment of the Student Loan Fairness Act, shall accrue
13 and be paid by the Secretary during any period dur-
14 ing which loans are so deferred, not in excess of 3
15 years.”.

16 (2) CONFORMING AMENDMENT.—Section
17 428(b)(1)(Y)(iii) of the Higher Education Act of
18 1965 (20 U.S.C. 1078(b)(1)(Y)(iii)) is amended by
19 inserting “(other than a deferment under clause (ii)
20 of such subparagraph on or after the date of enact-
21 ment of the Student Loan Fairness Act)” after “of
22 this paragraph”.

23 (b) DIRECT UNSUBSIDIZED LOAN DEFERMENT.—
24 Section 455(f)(1) of the Higher Education Act of 1965
25 (20 U.S.C. 1087e(f)(1)) is amended—

1 (1) in subparagraph (A)—

2 (A) by striking “or” at the end of clause

3 (i); and

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

5 “(iii) a Federal Direct Unsubsidized
6 Stafford Loan, with respect to a period of
7 deferment described in subparagraph (B)
8 of paragraph (2) granted to a borrower on
9 or after the date of enactment of the Stu-
10 dent Loan Fairness Act; or”; and

11 (2) in subparagraph (B), by inserting “not de-
12 scribed in subparagraph (A)(iii)” after “Unsub-
13 sidized Stafford Loan”.

14 (c) TREATMENT OF CONSOLIDATION LOANS.—Sec-
15 tion 428C(b)(4)(C)(ii) of the Higher Education Act of
16 1965 (20 U.S.C. 1078–3(b)(4)(C)(ii)) is amended—

17 (1) by striking “or” at the end of subclause
18 (II);

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

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

23 “(III) by the Secretary, in the
24 case of a consolidation loan for which
25 the application is received on or after

1 the date of enactment of the Student
2 Loan Fairness Act, except that the
3 Secretary shall pay such interest only
4 for a period not in excess of 3 years
5 for which the borrower would be eligi-
6 ble for a deferral under clause (ii) of
7 section 428(b)(1)(M); or”; and

8 (4) in subclause (IV) (as so redesignated by
9 this subsection), by striking “(I) or (II)” and insert-
10 ing “(I), (II), or (III)”.

11 (d) INCOME-BASED REPAYMENT.—Section 493C(b)
12 of the Higher Education Act of 1965 (20 U.S.C.
13 10983(b))—

14 (1) in paragraph (3)—

15 (A) in subparagraph (A), by striking
16 “and” after the semicolon;

17 (B) by redesignating subparagraph (B) as
18 subparagraph (C);

19 (C) by inserting after subparagraph (A)
20 the following:

21 “(B) shall, on subsidized and unsubsidized
22 loans, be paid by the Secretary for a period of
23 not more than 3 years during which the bor-
24 rower is eligible for a deferment due to unem-
25 ployment described in section 455(f)(2)(B) (re-

1 regardless of whether the student is in such a
2 deferment), except that—

3 “(i) this subparagraph shall only
4 apply to periods during which the borrower
5 is eligible for such a deferment on or after
6 the date of enactment of the Student Loan
7 Fairness Act; and

8 “(ii) in the case of a subsidized loan,
9 such period shall not include any period
10 described in subparagraph (A) or any pe-
11 riod during which the borrower is in
12 deferment due to an economic hardship de-
13 scribed in section 435(o); and”;

14 (D) in subparagraph (C) (as so redesign-
15 nated by paragraph (2))—

16 (i) in clause (i), by striking “subpara-
17 graph (A)” and inserting “subparagraphs
18 (A) and (B)”;

19 (ii) in clause (ii), by inserting “, sub-
20 ject to subparagraph (B),” after “unsub-
21 sidized loan”;

22 (E) by striking “and” at the end of para-
23 graph (8);

24 (F) by striking the period at the end of
25 paragraph (9) and inserting a semicolon; and

1 (G) by adding at the end the following new
2 paragraph:

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

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

10 (a) **INCOME-CONTINGENT REPAYMENT.**—Section
11 455(e)(2) of the Higher Education Act of 1965 (20 U.S.C.
12 1087e(e)(2)) is amended—

13 (1) in the subsection heading, by inserting
14 “AND FORGIVENESS” after “REPAYMENT”; and

15 (2) by adding at the end the following: “The
16 amount of the principal and interest on a borrower’s
17 loans forgiven pursuant to income contingent repay-
18 ment shall not be included in the gross income of
19 the borrower for purposes of the Internal Revenue
20 Code of 1986.”.

21 (b) **PAY AS YOU EARN REPAYMENT.**—The amount
22 of the principal and interest on a borrower’s loans forgiven
23 pursuant to the income-contingent repayment plan (based
24 on the President’s “Pay As You Earn” repayment initia-
25 tive) implemented in parts 674, 682, and 685 of title 34,

1 Code of Federal Regulations, as amended by the final reg-
2 ulations published by the Department of Education in the
3 Federal Register on November 1, 2012 (77 Fed. Reg.
4 66088 et seq.), shall not be included in the gross income
5 of the borrower for purposes of the Internal Revenue Code
6 of 1986.

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