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(Original Signature of Member)

114TH CONGRESS  
1ST SESSION

# H. R.

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To simplify income-based repayment under the Federal student loan program,  
and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. MURPHY of Florida introduced the following bill; which was referred to  
the Committee on \_\_\_\_\_

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# A BILL

To simplify income-based repayment under the Federal  
student loan program, 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 “Simple Income-Based  
5 Repayment Act”.

6 **SEC. 2. REPAYMENT PLANS FOR BORROWERS.**

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

1           (1) by striking subsection (d) and inserting the  
2 following:

3           “(d) REPAYMENT PLANS.—

4           “(1) DESIGN AND SELECTION FOR BORROWERS  
5 BEFORE JULY 1, 2017.—With respect to a borrower  
6 of a loan made under this part before July 1, 2017,  
7 and consistent with criteria established by the Sec-  
8 retary, the Secretary shall offer such borrower a va-  
9 riety of plans for repayment of such loan, including  
10 principal and interest on the loan. The borrower  
11 shall be entitled to accelerate, without penalty, re-  
12 payment on the borrower’s loans under this part.  
13 The borrower may choose—

14           “(A) a standard repayment plan, con-  
15 sistent with subsection (a)(1) of this section  
16 and with section 428(b)(9)(A)(i);

17           “(B) a graduated repayment plan, con-  
18 sistent with section 428(b)(9)(A)(ii);

19           “(C) an extended repayment plan, con-  
20 sistent with section 428(b)(9)(A)(iv), except  
21 that the borrower shall annually repay a min-  
22 imum amount determined by the Secretary in  
23 accordance with section 428(b)(1)(L);

24           “(D) an income contingent repayment  
25 plan, with varying annual repayment amounts

1 based on the income of the borrower, paid over  
2 an extended period of time prescribed by the  
3 Secretary, not to exceed 25 years, except that  
4 the plan described in this subparagraph shall  
5 not be available to the borrower of a Federal  
6 Direct PLUS loan made on behalf of a depend-  
7 ent student;

8 “(E) an income-based repayment plan that  
9 enables borrowers who have a partial financial  
10 hardship to make a lower monthly payment in  
11 accordance with section 493C, except that the  
12 plan described in this subparagraph shall not be  
13 available to the borrower of a Federal Direct  
14 PLUS Loan made on behalf of a dependent  
15 student or a Federal Direct Consolidation  
16 Loan, if the proceeds of such loan were used to  
17 discharge the liability on such Federal Direct  
18 PLUS Loan or a loan under section 428B  
19 made on behalf of a dependent student; or

20 “(F) an income-based repayment plan,  
21 consistent with part J, except that the plan de-  
22 scribed in this subparagraph shall not be avail-  
23 able to a borrower of a Federal Direct PLUS  
24 Loan made on behalf of a dependent student or  
25 a Federal Direct Consolidation Loan, if the pro-

1           ceeds of such loan were used to discharge the  
2           liability on such Federal Direct PLUS Loan, or  
3           a loan under section 428B made on behalf of  
4           a dependent student.

5           “(2) DESIGN AND SELECTION FOR NEW BOR-  
6           ROWERS ON OR AFTER JULY 1, 2017.—The Secretary  
7           shall offer a borrower of a loan made under this part  
8           on or after July 1, 2017, the following plans for re-  
9           payment of such loan, including principal and inter-  
10          est on the loan. The borrower shall be entitled to ac-  
11          celerate, without penalty, repayment on the bor-  
12          rower’s loans under this part. The borrower may  
13          choose—

14                 “(A) a standard repayment plan, con-  
15                 sistent with subsection (a)(1) of this section  
16                 and with section 428(b)(9)(A)(i); or

17                 “(B) an income-based repayment plan,  
18                 consistent with part J, except that the plan de-  
19                 scribed in this subparagraph shall not be avail-  
20                 able to a borrower of a Federal Direct PLUS  
21                 Loan made on behalf of a dependent student or  
22                 a Federal Direct Consolidation Loan, if the pro-  
23                 ceeds of such loan were used to discharge the  
24                 liability on such Federal Direct PLUS Loan or

1           a loan under section 428B made on behalf of  
2           a dependent student.

3           “(3) BORROWER NON-SELECTION.—If a bor-  
4           rower of a loan made under this part does not select  
5           a repayment plan described in paragraph (1) or (2),  
6           the Secretary may provide the borrower with a re-  
7           payment plan described in subparagraph (A), (B), or  
8           (C) of paragraph (1) for borrowers before July 1,  
9           2017, or a repayment plan described in paragraph  
10          (2)(B) for new borrowers on or after July 1, 2017.

11          “(4) CHANGES IN SELECTIONS.—The borrower  
12          of a loan made under this part may change the bor-  
13          rower’s selection of a repayment plan under para-  
14          graph (1) or (2), or the Secretary’s selection of a  
15          plan for the borrower under paragraph (3), as the  
16          case may be, under such terms and conditions as  
17          may be established by the Secretary.

18          “(5) ALTERNATIVE REPAYMENT PLANS.—The  
19          Secretary may provide, on a case by case basis, an  
20          alternative repayment plan to a borrower of a loan  
21          made under this part on or after July 1, 2017, who  
22          demonstrates to the satisfaction of the Secretary  
23          that the terms and conditions of the repayment  
24          plans available under paragraph (2) are not ade-  
25          quate to accommodate the borrower’s exceptional

1       circumstances. Upon request, the Secretary shall  
2       make available for such borrowers repayment plans  
3       described in subparagraphs (B) and (C) of para-  
4       graph (1). In designing such alternative repayment  
5       plans, the Secretary shall ensure that such plans do  
6       not exceed the cost to the Federal Government, as  
7       determined on the basis of the present value of fu-  
8       ture payments by such borrowers, of loans made  
9       using the plans available under paragraph (2).

10           “(6) REPAYMENT AFTER DEFAULT OR LATE  
11       PAYMENT.—For any borrower who has defaulted on  
12       a loan made under this part or part B, or is more  
13       than 60 days late on a scheduled payment of such  
14       loan, the Secretary—

15           “(A) may require the borrower to pay all  
16       reasonable collection costs associated with such  
17       loan; and

18           “(B) if such loan was made—

19           “(i) to any borrower who, before July  
20       1, 2017, had an outstanding balance on a  
21       student loan made, insured, or guaranteed  
22       under this part or part B, may require the  
23       borrower to repay the loan pursuant to an  
24       income contingent repayment plan, as de-  
25       scribed in paragraph (1)(D), or an income-

1 based repayment plan, as described in  
2 paragraph (1)(E); or

3 “(ii) to a new borrower, may provide  
4 the borrower the option to enroll in the re-  
5 payment plan described in paragraph  
6 (2)(B).

7 “(7) APPLICABILITY PROVISION.—

8 “(A) IN GENERAL.—Except as provided in  
9 paragraph (5) and subparagraph (B) of this  
10 paragraph, the repayment plans under subpara-  
11 graphs (B), (C), (D), and (E) of paragraph (1)  
12 are not available for a borrower who received  
13 the borrower’s first disbursement of a Federal  
14 Direct Loan on or after July 1, 2017.

15 “(B) EXCEPTION.—The repayment plans  
16 available to a borrower of a Federal Direct  
17 PLUS Loan made on behalf of a dependent  
18 student or a Federal Direct Consolidation Loan  
19 whose proceeds were used to discharge the li-  
20 ability of a Federal Direct PLUS Loan made  
21 on behalf of a dependent student or a loan  
22 under section 428B made on behalf of a de-  
23 pendent student on or after July 1, 2017, shall  
24 be those described under subparagraphs (A),  
25 (B), and (C) of paragraph (1).”.

1 **SEC. 3. INCOME-BASED REPAYMENT PLAN.**

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

4 **“PART J—INCOME-BASED REPAYMENT PROGRAM**

5 **“Subpart 1—Establishment of Program**

6 **“SEC. 499A. DUTIES OF THE SECRETARY OF THE TREASURY.**

7 “(a) IN GENERAL.—The Secretary of the Treasury,  
8 in consultation with the Secretary of Education, shall es-  
9 tablish a program (hereinafter referred to as the ‘income-  
10 based repayment program’) that provides for—

11 “(1) repaying, through voluntary wage with-  
12 holding and quarterly estimated payments as pro-  
13 vided in subsection (b), loans made under part D  
14 (except that such program shall not be available to  
15 a borrower of a Federal Direct PLUS Loan made on  
16 behalf of a dependent student or a Federal Direct  
17 Consolidation Loan, if the proceeds of such loan  
18 were used to discharge the liability on such Federal  
19 Direct PLUS Loan or a loan under section 428B  
20 made on behalf of a dependent student); and

21 “(2) transmitting to the Secretary of Edu-  
22 cation—

23 “(A) an account of the amounts collected  
24 under subsection (b) with respect to each indi-  
25 vidual for whom a loan made under this part is  
26 in repayment status; and

1           “(B) such tax return information of each  
2           such individual as is necessary to determine the  
3           individual’s income-based repayment obligation  
4           as provided in subsection (c).

5           “(b) WAGE WITHHOLDING AND ESTIMATED PAY-  
6 MENTS.—

7           “(1) IN GENERAL.—The Secretary of the  
8           Treasury shall, under rules similar to the rules of  
9           chapter 24 of the Internal Revenue Code of 1986,  
10          provide for employers making payment of wages to  
11          deduct and withhold upon such wages amounts de-  
12          termined in accordance with tables or computational  
13          procedures prescribed by the Secretary with respect  
14          to an employee who elects withholding under this  
15          subsection with respect to a loan described in sub-  
16          section (a)(1) that is in repayment status and, if so  
17          elected, with respect to any such loans of the em-  
18          ployee’s spouse.

19          “(2) WITHHOLDING REQUIREMENTS.—The ta-  
20          bles, procedures, and guidance prescribed under  
21          paragraph (1) shall provide—

22                  “(A) for the election to have amounts with-  
23                  held as provided under this subsection,

24                  “(B) procedures and forms for an em-  
25                  ployee to indicate—

1           “(i) whether the employee (and, in the  
2 case of a married individual, whether the  
3 employee’s spouse) has a loan described in  
4 subsection (a)(1) that is in repayment sta-  
5 tus;

6           “(ii) in the case of a married indi-  
7 vidual, whether the employee anticipates  
8 filing jointly (and accompanying guidance  
9 explaining that if filing status for the tax-  
10 able year is uncertain the employee should  
11 indicate filing jointly to avoid underwith-  
12 holding);

13           “(iii) whether the exemption amount  
14 to which the employee is entitled under  
15 this section should be taken into account  
16 in determining withholding (and accom-  
17 panying guidance explaining that, in order  
18 to avoid underwithholding, the employee  
19 should only take into account the exemp-  
20 tion in the case of the employee’s primary  
21 employer, unless total wages from more  
22 than one place of employment will not ex-  
23 ceed the exemption amount);

24           “(iv) in the case of a married indi-  
25 vidual, whether the exemption amount to

1 which the employee's spouse is entitled  
2 under this section should be taken into ac-  
3 count in determining withholding from the  
4 wages of the employee (and accompanying  
5 guidance explaining that, in order to avoid  
6 underwithholding, the employee should  
7 only take into account such exemption if  
8 such spouse is not employed, or if the total  
9 wages from the employee's job and the  
10 spouse's employment will not exceed the  
11 exemption amount);

12 “(v) the number of dependents of the  
13 employee with respect to whom the em-  
14 ployee is entitled to a deduction under sec-  
15 tion 151(c) of the Internal Revenue Code  
16 of 1986, and, if a different number, in the  
17 case of a married employee, the number of  
18 dependents of the employee's spouse with  
19 respect to whom such spouse is entitled to  
20 such deduction; and

21 “(vi) an election to have additional  
22 amounts withheld; and

23 “(C) for withholding with respect to any  
24 employee in an amount equal to the sum of—

1           “(i) in the case of an employee who  
2           has a loan described in subsection (a)(1) in  
3           repayment status, the percentage of so  
4           much of the employee’s wages that would  
5           count towards the employee’s income-based  
6           repayment obligation provided in sub-  
7           section (c) as exceeds any exemption  
8           amount taken into account with respect to  
9           the employee under subparagraph (A)(iii)  
10          (prorated to the payroll period), plus

11          “(ii) in the case of an employee who  
12          indicates that the employee’s spouse has a  
13          loan described in subsection (a)(1) in re-  
14          payment status, the percentage of so much  
15          of the employee’s wages that would count  
16          towards the employee’s spouse’s income-  
17          based repayment obligation (as provided in  
18          subsection (c)) as exceeds any exemption  
19          amount taken into account with respect to  
20          the employee’s spouse under subparagraph  
21          (A)(iv) (prorated to the payroll period).

22          “(3) QUARTERLY ESTIMATED TAX PAY-  
23          MENTS.—In the case of taxpayers who make quar-  
24          terly estimated tax return payments under section  
25          6654 of the Internal Revenue Code of 1986 and who

1 have a loan described in subsection (a)(1) in repay-  
2 ment status, the Secretary shall provide similar ta-  
3 bles and procedures for making voluntary repay-  
4 ments of loans described in section 499A(a)(1) con-  
5 currently with such quarterly payments.

6 “(4) COLLECTION AND PAYMENT.—The  
7 amounts required to be deducted and withheld under  
8 paragraph (1), and amounts required to be paid  
9 under paragraph (3), shall be collected by the Sec-  
10 retary of the Treasury and shall be paid into the  
11 general fund of the Treasury of the United States.

12 “(c) DETERMINATION OF INCOME-BASED REPAY-  
13 MENT OBLIGATION.—

14 “(1) IN GENERAL.—As soon as practicable  
15 after an individual for whom a loan described in  
16 subsection (a)(1) is in repayment status during the  
17 taxable year files an income tax return for such tax-  
18 able year, the Secretary of the Treasury shall trans-  
19 mit to the Secretary of Education such tax informa-  
20 tion as is necessary to determine—

21 “(A) the amount deducted and withheld  
22 under subsection (b)(1), and the amount paid  
23 under subsection (b)(3), for the taxable year  
24 with respect to such individual, and

1           “(B) the income-based repayment obliga-  
2           tion for the taxable year for such individual.

3           “(2) INCOME-BASED REPAYMENT OBLIGA-  
4           TION.—For purposes of this section:

5           “(A) IN GENERAL.—The income-based re-  
6           payment obligation with respect to an individual  
7           for any taxable year is an amount equal to 10  
8           percent of the excess of—

9           “(i) the sum of—

10           “(I) the wages, salaries, tips, and  
11           other employee compensation of the  
12           taxpayer, but only if such amounts  
13           are includible in gross income for the  
14           taxable year (determined without re-  
15           gard to section 911, 931, 933 of the  
16           Internal Revenue Code of 1986),

17           “(II) the amount of the tax-  
18           payer’s net earnings from self-employ-  
19           ment for the taxable year (within the  
20           meaning of section 1402(a) of such  
21           Code), determined with regard to the  
22           deduction allowed to the taxpayer by  
23           section 164(f) of such Code, plus

24           “(III) any other amount included  
25           in total income of the taxpayer for the

1 taxable year but not described in sub-  
2 clause (I) or (II), over

3 “(ii) the sum of—

4 “(I) the exemption amount with  
5 respect to such individual, plus

6 “(II) the lesser of the amount de-  
7 termined with respect to the taxpayer  
8 under subclauses (II) and (III) of  
9 clause (i), or \$3,000.

10 “(B) SPECIAL RULES FOR MARRIED INDI-  
11 VIDUALS.—

12 “(i) EACH SPOUSE WITH LOAN.—Ex-  
13 cept as provided in clause (ii), in the case  
14 of a joint return of two individuals who  
15 each have a loan described in subsection  
16 (a)(1) in repayment status, the income-  
17 based repayment obligation with respect to  
18 each spouse shall be an amount determined  
19 under subparagraph (A) by apportioning  
20  $\frac{1}{2}$  of the total income on such return to  
21 each spouse.

22 “(ii) SPECIAL RULE FOR FIRST YEAR  
23 OF MARRIAGE.—In the case of the first  
24 taxable year for which any two individuals  
25 make a joint return, the income-based re-

1 payment obligation with respect to such an  
2 individual shall be an amount equal to the  
3 lesser of—

4 “(I) the amount determined with  
5 respect to such individual under this  
6 paragraph (determined without regard  
7 to this clause), or

8 “(II) the amount determined  
9 with respect to such individual under  
10 this paragraph (determined by allo-  
11 cating to each spouse the amounts de-  
12 scribed in subclause (I) and (II) of  
13 subparagraph (A)(i) in proportion to  
14 the amounts attributable to each  
15 spouse, by allocating  $\frac{1}{2}$  of the amount  
16 described in subparagraph (A)(i)(III)  
17 to each spouse, and without regard to  
18 clause (i)).

19 “(C) EXCLUSION OF CERTAIN AMOUNTS  
20 PAID ON BEHALF OF INDIVIDUAL.—Any  
21 amount paid on the borrower’s behalf under  
22 section 499B(5) shall not be taken into account  
23 in determining such borrower’s income-based  
24 repayment obligation.

1           “(3) EXEMPTION AMOUNT.—For purposes of  
2 this section:

3           “(A) IN GENERAL.—Except as provided in  
4 subparagraph (B), the exemption amount with  
5 respect to an individual shall be an amount  
6 equal to 150 percent of the poverty line for the  
7 individual’s household size (as determined  
8 under section 673(2) of the Community Serv-  
9 ices Block Grant Act (42 U.S.C. 9902(2))) for  
10 the calendar year in which the taxable year  
11 ends.

12           “(B) SPECIAL RULE FOR MARRIED INDI-  
13 VIDUALS WHO BOTH HAVE LOANS.—If for any  
14 taxable year an individual is married, files a  
15 joint return, and has a spouse with a loan de-  
16 scribed in subsection (a)(1) in repayment sta-  
17 tus, then the exemption amount with respect to  
18 such individual shall be an amount equal to the  
19 sum of—

20           “(i) 150 percent of the poverty line  
21 for a household size of one (as determined  
22 under section 673(2) of the Community  
23 Services Block Grant Act (42 U.S.C.  
24 9902(2))) for the calendar year in which  
25 the taxable year ends, and

1 “(ii) ½ of the excess of—

2 “(I) 150 percent of the poverty  
3 line for the individual’s household size  
4 minus 1 (as determined under section  
5 673(2) of the Community Services  
6 Block Grant Act (42 U.S.C. 9902(2)))  
7 for the calendar year in which the tax-  
8 able year ends, over

9 “(II) the amount determined  
10 under clause (i).

11 “(C) HOUSEHOLD SIZE.—For purposes of  
12 this paragraph, an individual’s household size  
13 shall be determined by reference to the indi-  
14 vidual, the number of dependents of the tax-  
15 payer with respect to whom the taxpayer is en-  
16 titled to a deduction under section 151(c) of the  
17 Internal Revenue Code of 1986, and, if married  
18 and filing jointly, such individual’s spouse.

19 “(4) INDIVIDUALS NOT FILING A RETURN.—

20 “(A) INDIVIDUALS NOT REQUIRED TO  
21 FILE.—The income-based repayment obligation  
22 with respect to an individual not required to file  
23 a return under section 6012(a)(1) of the Inter-  
24 nal Revenue Code of 1986 shall be treated as  
25 zero.

1           “(B) FAILURE TO FILE.—In the case of an  
2 individual who makes an election under sub-  
3 section (b) with respect to a loan described in  
4 subsection (a)(1) in repayment status and fails  
5 to file a return under section 6012(a)(1) of the  
6 Internal Revenue Code of 1986, the Secretary  
7 of the Treasury shall transmit to the Secretary  
8 of Education any such tax information of the  
9 individual as may be necessary to determine  
10 whether such individual is in default under the  
11 terms of such loan.

12           “(5) SUBSEQUENT TRANSMISSION OF EM-  
13 PLOYER INFORMATION REPORTING.—As soon as  
14 practicable after receiving from an employer infor-  
15 mation reporting with respect to withholding under  
16 subsection (b)(1) of an individual, the Secretary of  
17 the Treasury shall transmit to the Secretary of Edu-  
18 cation such information as may be useful in  
19 verifying the information with respect to withholding  
20 transmitted under paragraph (1).

21           “(d) ADDITIONAL PROGRAM REQUIREMENTS.—The  
22 Secretary of the Treasury shall establish such other poli-  
23 cies, procedures, and guidance as may be necessary to  
24 carry out the purposes of this section, including measures  
25 to prevent underwithholding, under-reporting, and evasion

1 of repayment or filing. Amounts shall be deducted and  
2 withheld under this section as the Secretary determines  
3 to be most appropriate to carry out the purposes of the  
4 income-based repayment program and to reflect, as accu-  
5 rately as is practicable, an individual's income-based re-  
6 payment obligation.

7 **“SEC. 499B. DUTIES OF THE SECRETARY OF EDUCATION.**

8 “The Secretary shall carry out the following activities  
9 as part of the income-based repayment program estab-  
10 lished under this part:

11 “(1) **CALCULATION OF ANNUAL REPAYMENT**  
12 **AMOUNTS.**—The Secretary shall calculate the annual  
13 repayment amounts under section 499C(b) for bor-  
14 rowers with 1 or more loans described in section  
15 499A(a)(1) in repayment status, including the in-  
16 come-based repayment obligations of such borrowers  
17 in accordance with section 499A(c)(2).

18 “(2) **COMMUNICATION WITH THE SECRETARY**  
19 **OF THE TREASURY.**—The Secretary shall transmit  
20 to the Secretary of the Treasury such information as  
21 is necessary for the Secretary of the Treasury to  
22 carry out section 499A.

23 “(3) **ANNUAL STATEMENTS.**—Upon calculating  
24 the annual repayment amounts under paragraph (1)  
25 for a taxable year, the Secretary shall provide a

1 statement, on an annual basis, to each borrower  
2 with a loan described in section 499A(a)(1), which  
3 lists the following:

4 “(A) Total payments made on the bor-  
5 rower’s annual repayment amount for such tax-  
6 able year.

7 “(B) The borrower’s annual repayment  
8 amount for such taxable year.

9 “(C) In the case of a borrower who, ac-  
10 cording to section 499C(f), has underpaid such  
11 annual repayment amount, the amount of such  
12 underpayment and the process for paying such  
13 underpayment under section 499C(f)(2).

14 “(D) In the case of a borrower with an  
15 overpayment on such annual repayment  
16 amount, the amount of such overpayment and  
17 the process for requesting a refund of such  
18 amount under section 499C(g), if applicable.

19 “(E) The outstanding balances on all the  
20 loans made to the borrower described in section  
21 499A(a)(1).

22 “(F) A description of how the borrower’s  
23 annual repayment amount was calculated under  
24 paragraph (1) or (2) of section 499C(b).

1           “(4) DIRECT PAYMENT.—The Secretary shall  
2           enable a borrower to make direct payments on the  
3           borrower’s annual repayment amount for the taxable  
4           year to the Secretary throughout the year, including  
5           by providing a process for the borrower to make  
6           such payments automatically, on a periodic basis,  
7           and in an amount specified by the borrower.

8           “(5) PAYMENTS ON A TAXPAYER’S BEHALF.—  
9           The Secretary shall—

10                   “(A) provide a mechanism for other indi-  
11                   viduals or entities to make payments on the an-  
12                   nual repayment amount of a borrower for a tax-  
13                   able year; and

14                   “(B) notify the borrower that any pay-  
15                   ments made under subparagraph (A) for the  
16                   taxable year that exceed the annual repayment  
17                   amount for the year shall not be refunded to  
18                   the borrower.

19           “(6) CALCULATING INTEREST ACCRUED.—The  
20           Secretary shall calculate the interest accrued for the  
21           taxable year as if the borrower’s payments under  
22           wage withholding or quarterly estimated payments  
23           under section 499A(b) for the taxable year were  
24           made in 12 equal increments throughout the year.

1           “(7) MANAGING LOANS.—The Secretary shall  
2           provide, through the Internet, a tool that has an  
3           interface that is consistent for all borrowers with a  
4           loan described in section 499A(a)(1), which enables  
5           each such borrower to—

6                   “(A) view the outstanding balances on the  
7           borrower’s loans described in section  
8           499A(a)(1);

9                   “(B) make a direct payment on the bor-  
10          rower’s annual repayment amount or indicate  
11          that any overpayment should be refunded or ap-  
12          plied to such loans as a prepayment amount;

13                   “(C) view prior annual statements for such  
14          loans provided under paragraph (3);

15                   “(D) view a history of payments made on  
16          such loans (including the method and source of  
17          each payment, such as tax withholding, esti-  
18          mated taxes, direct payment, or payments made  
19          on the borrower’s behalf);

20                   “(E) view the borrower’s annual repay-  
21          ment amount for that year, the amount already  
22          paid on such annual repayment amount, and  
23          any amount owed by the borrower or due to be  
24          refunded to the borrower;

1           “(F) view the borrower’s loans described in  
2           section 499A(a)(1) that have been paid off;

3           “(G) enable the borrower to initiate an ap-  
4           peal process under paragraph (8); and

5           “(H) easily determine whether benefits  
6           under the Servicemembers Civil Relief Act (50  
7           U.S.C. App. 501 et seq.), if applicable, have  
8           been applied to the borrower’s loans described  
9           in section 499A(a)(1).

10          “(8) APPEALS PROCESS.—The Secretary shall  
11          make available a process through which a borrower  
12          can appeal the calculation of the borrower’s annual  
13          repayment amount, including a worksheet that en-  
14          ables a borrower to calculate the borrower’s annual  
15          repayment amount.

16          “(9) DEFAULT FOR FAILURE TO FILE A RE-  
17          TURN.—In a case in which the Secretary receives in-  
18          formation from the Secretary of the Treasury under  
19          section 499A(c)(4) that a borrower with a loan de-  
20          scribed in section 499A(a)(1) in repayment status  
21          has failed to file a return under section 6012(a)(1)  
22          of the Internal Revenue Code of 1986 and such bor-  
23          rower was required to file such a return, the Sec-  
24          retary shall—

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

3           “(B) if the borrower fails to file such a re-  
4 turn within 90 days of receipt of the notice de-  
5 scribed in subparagraph (A), consider the bor-  
6 rower’s loans described in section 499A(a)(1) to  
7 be in default.

8           “(10) LOAN FORGIVENESS.—The Secretary  
9 shall cancel the balance of principal and interest due  
10 on any loan described in section 499A(a)(1) that is  
11 not in default for a borrower who has made 240  
12 payments on the loan using one or more methods de-  
13 scribed in section 499C(c).

14           **“Subpart 2—Borrower Repayment**

15           **“SEC. 499C. BORROWER REPAYMENT.**

16           “(a) REPAYMENT PERIOD.—The repayment period of  
17 a loan described in section 499A(a)(1) shall—

18           “(1) begin on the first day of the first taxable  
19 year that begins after the borrower’s in-school  
20 deferment period, or in the case of a Federal Direct  
21 Consolidation Loan, on the first day of the first tax-  
22 able year that begins after such Consolidation Loan  
23 is disbursed; and

24           “(2) continue until the loan is paid in full, ex-  
25 cept that the Secretary may grant a borrower for-

1 bearance of the borrower's annual repayment  
2 amount—

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

5 “(B) for a period not to exceed 3 months,  
6 due to unusual circumstances that disrupt the  
7 borrower's ability to make timely payments on  
8 the loan; or

9 “(C) renewable at 12-month intervals for a  
10 period not to exceed 3 years, due to docu-  
11 mented extreme economic hardship on the part  
12 of a borrower.

13 “(b) ANNUAL REPAYMENT AMOUNT.—The annual  
14 repayment amount under this part for a taxable year for  
15 a borrower with 1 or more loans described in section  
16 499A(a)(1) in repayment status shall be equal to the less-  
17 er of—

18 “(1) the income-based repayment obligation for  
19 such borrower for such year, as calculated under  
20 section 499B(1); or

21 “(2) an amount equal to the sum of the out-  
22 standing balances (equal to the sum of the unpaid  
23 principal, interest, penalties, and fees) that the bor-  
24 rower owes on such loans.

1       “(c) METHODS OF REPAYMENT.—In repaying an an-  
2 nual repayment amount owed by a borrower for a taxable  
3 year, a borrower may—

4           “(1) with respect to any wages earned by the  
5 borrower that are subject to Federal income tax  
6 withholding, have amounts withheld upon such  
7 wages under section 499A(b)(2);

8           “(2) in the case of a borrower who makes quar-  
9 terly estimated tax return payments under section  
10 6654 of the Internal Revenue Code of 1986 for the  
11 year, pay such annual repayment amount concur-  
12 rently with such quarterly payments under section  
13 499A(b)(3);

14           “(3) make direct payments under section  
15 499B(4) on such amount to the Secretary through-  
16 out the year;

17           “(4) have other individuals or entities make  
18 payments under section 499B(5) on the borrower’s  
19 annual repayment amount for the year; or

20           “(5) another repayment plan authorized under  
21 section 455(d).

22       “(d) ORDER OF CREDITING.—Payments on loans de-  
23 scribed in section 499A(a)(1) shall be applied, without re-  
24 gard to the method of such payments, first toward pen-  
25 alties due on the loans, next toward any fees due on the

1 loans, then toward any interest due on the loans, and fi-  
2 nally toward the principal due on the loan with the highest  
3 applicable rate of interest among such loans.

4 “(e) PREPAYMENT AUTHORIZED.—A borrower shall  
5 have the right to prepay all or part of such loan, at any  
6 time and without penalty. Any such prepayment amount  
7 will be applied to loans described in section 499A(a)(1)  
8 in the same order as described in subsection (d).

9 “(f) UNDERPAYMENTS.—

10 “(1) PENALTIES FOR UNDERPAYMENTS.—

11 “(A) IN GENERAL.—Subject to subpara-  
12 graph (C), if, as of the last day of a taxable  
13 year, a borrower has not paid at least 90 per-  
14 cent of the borrower’s annual repayment  
15 amount for such year, the borrower shall be  
16 charged a penalty in an amount equal to 10  
17 percent of the difference between—

18 “(i) an amount equal to 90 percent of  
19 the borrower’s annual repayment amount  
20 for such year; and

21 “(ii) the amount paid on such annual  
22 repayment amount as of such day.

23 “(B) INCREASE OF ANNUAL REPAYMENT  
24 AMOUNT.—A borrower’s annual repayment  
25 amount calculated under subsection (b) for such

1 year shall be increased by the amount of such  
2 penalty, but such penalty shall not be treated as  
3 a principal or interest amount for a loan de-  
4 scribed in section 499A(a)(1).

5 “(C) EXCEPTION.—A borrower who has  
6 paid 100 percent of the borrower’s annual re-  
7 payment amount for the taxable year preceding  
8 the taxable year described in subparagraph (A)  
9 shall not be subject to the penalty under this  
10 paragraph for the taxable year described in sub-  
11 paragraph (A).

12 “(2) RECONCILING UNDERPAYMENTS.—

13 “(A) IN GENERAL.—If, as of the last day  
14 of a taxable year, the sum of the payments  
15 made on a borrower’s annual repayment  
16 amount for such year is less than the total  
17 amount of the borrower’s annual repayment  
18 amount for such year, the borrower—

19 “(i) in the case of the first year that  
20 the borrower has a difference between such  
21 amounts—

22 “(I) may request, in such manner  
23 as the Secretary shall require, that  
24 the Secretary reduce the borrower’s

1 annual repayment amount for such  
2 year to the sum of—

3 “(aa) the payments made,  
4 as of such day, on the borrower’s  
5 annual repayment amount for  
6 such year; and

7 “(bb) any penalties cal-  
8 culated under paragraph (1) re-  
9 sulting from such underpayment;  
10 and

11 “(II) if the borrower qualifies for  
12 the reduction requested under sub-  
13 clause (I), shall pay the sum cal-  
14 culated under such subclause at such  
15 time and in such manner as required  
16 by the Secretary;

17 “(ii) if the borrower does not qualify  
18 for a reduction under clause (i) or does not  
19 request such a reduction, shall pay to the  
20 Secretary an amount equal to the dif-  
21 ference between such amounts within the  
22 30-day period beginning on the date of re-  
23 ceipt by the borrower of the borrower’s an-  
24 nual statement described in section  
25 499B(3) for such year; or

1           “(iii) if the borrower fails to pay the  
2           amount owed by the borrower as calculated  
3           under clause (ii) within the 30-day period,  
4           shall be charged a penalty equal to 2 per-  
5           cent of such amount for each month (pro-  
6           rated based on the percentage of a month  
7           such penalty is charged) that such amount  
8           is owed or until the borrower defaults on  
9           the loan for which such amount is owed,  
10          whichever occurs first.

11          “(B) DEFAULT.—A loan for which an  
12          amount is owed under subparagraph (A) and  
13          that is not paid within 360 days after the date  
14          of receipt by the borrower of the borrower’s an-  
15          nual statement described in subparagraph (A)  
16          shall be considered to be default.

17          “(g) OVERPAYMENTS.—If, as of the last day of a tax-  
18          able year, the sum of the payments made on a borrower’s  
19          annual repayment amount for such year is greater than  
20          the total amount of the borrower’s annual repayment  
21          amount for such year, the Secretary shall—

22                 “(1) refund the overpayment amount, if the  
23          borrower notifies the Secretary, within the 90-day  
24          period beginning on the date of receipt of the bor-  
25          rower’s annual statement described in section

1 499B(3) for such year and in a manner prescribed  
2 by the Secretary, that the borrower desires to have  
3 the overpayment amount refunded; or

4 “(2) if a borrower fails to notify the Secretary  
5 of the borrower’s desire for a refund of such amount  
6 within such 90-day period, apply such amount as a  
7 prepayment to the borrower’s loans described in sec-  
8 tion 499A(a)(1) in the same manner as a prepayment  
9 authorized under subsection (e).

10 “(h) EMPLOYER FAILURE TO WITHHOLD PAY-  
11 MENTS.—In the case of a borrower whose employer fails  
12 to withhold amounts under section 499A(b)(2) upon any  
13 wages earned by the borrower that are subject to Federal  
14 income tax withholding and with respect to which the bor-  
15 rower made an election to have amounts withheld under  
16 section 499(b)(2), the Secretary shall—

17 “(1) reduce the borrower’s annual repayment to  
18 an amount equal to the borrower’s annual repay-  
19 ment amount had wages from such employer been  
20 excluded when calculating the borrower’s annual re-  
21 payment amount; and

22 “(2) reduce any penalties for underpayments  
23 calculated under subsection (f)(1) and refund any  
24 overpayments on such annual repayment amount,  
25 accordingly.”.