

113TH CONGRESS
1ST SESSION

S. _____

To amend the Higher Education Act of 1965 to provide for the refinancing of certain Federal student loans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. WARREN introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Higher Education Act of 1965 to provide for the refinancing of certain Federal student loans, 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 “Bank on Students
5 Emergency Loan Refinancing Act”.

6 **SEC. 2. REFINANCING PROGRAMS.**

7 (a) PROGRAM AUTHORITY.—Section 451(a) of the
8 Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is
9 amended—

1 (1) by striking “and (2)” and inserting “(2)”;

2 and

3 (2) by inserting “; and (3) to make loans under
4 section 460A and section 460B” after “section
5 459A”.

6 (b) REFINANCING PROGRAM.—Part D of title IV of
7 the Higher Education Act of 1965 (20 U.S.C. 1087a et
8 seq.) is amended by adding at the end the following:

9 **“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT**
10 **LOANS.**

11 “(a) IN GENERAL.—Beginning not later 180 days
12 after the date of enactment of the Bank on Students
13 Emergency Loan Refinancing Act, the Secretary shall es-
14 tablish a program under which the Secretary, upon the
15 receipt of an application from a qualified borrower, re-
16 issues the borrower’s original loan under this part or part
17 B as a loan under this part, in accordance with the provi-
18 sions of this section, in order to permit the borrower to
19 obtain the interest rate provided under subsection (c).

20 “(b) REISSUING LOANS.—

21 “(1) FEDERAL DIRECT LOANS.—Upon applica-
22 tion of a qualified borrower, the Secretary shall re-
23 issue a Federal Direct Stafford Loan, a Federal Di-
24 rect Unsubsidized Stafford Loan, a Federal Direct
25 PLUS Loan, or a Federal Direct Consolidation

1 Loan of the qualified borrower, for which the first
2 disbursement was made, or the application for the
3 consolidation loan was received before July 1, 2013,
4 in an amount equal to the sum of—

5 “(A) the unpaid principal, accrued unpaid
6 interest, and late charges of the original loan;
7 and

8 “(B) the administrative fee under sub-
9 section (d)(3).

10 “(2) DISCHARGING AND REISSUING FFEL PRO-
11 GRAM LOANS AS REFINANCED FEDERAL DIRECT
12 LOANS.—Upon application of a qualified borrower
13 for any loan that was made, insured, or guaranteed
14 under part B and for which the first disbursement
15 was made, or the application for the consolidation
16 loan was received, before July 1, 2010, the Secretary
17 shall reissue such loan as a loan under this part, in
18 an amount equal to the sum of the unpaid principal,
19 accrued unpaid interest, and late charges of the
20 original loan and the administrative fee under sub-
21 section (d)(3), to the borrower in accordance with
22 the following:

23 “(A) The Secretary shall pay the proceeds
24 of such reissued loan to the eligible loan holder
25 of the loan made, insured, or guaranteed under

1 part B, in order to discharge the borrower from
2 any remaining obligation to the original loan
3 holder with respect to the original loan.

4 “(B) The Secretary shall reissue—

5 “(i) a loan originally made, insured,
6 or guaranteed under section 428 as a Fed-
7 eral Direct Stafford Loan;

8 “(ii) a loan originally made, insured,
9 or guaranteed under section 428B as a
10 Federal Direct PLUS Loan;

11 “(iii) a loan originally made, insured,
12 or guaranteed under section 428H as a
13 Federal Direct Unsubsidized Stafford
14 Loan; and

15 “(iv) a loan originally made, insured,
16 or guaranteed under section 428C as a
17 Federal Direct Consolidation Loan.

18 “(C) The interest rate for each loan re-
19 issued under this paragraph shall be the rate
20 provided under subsection (c).

21 “(c) INTEREST RATES.—

22 “(1) IN GENERAL.—The interest rate for the
23 reissued Federal Direct Stafford Loans, Federal Di-
24 rect Unsubsidized Stafford Loans, Federal Direct
25 PLUS Loans, and Federal Direct Consolidation

1 Loans reissued pursuant to this section, shall be a
2 rate equal to—

3 “(A) in any case where the original loan
4 was a loan under section 428 or 428H, a Fed-
5 eral Direct Stafford loan, or a Federal Direct
6 Unsubsidized Stafford Loan, that was issued to
7 an undergraduate student, a rate equal to the
8 rate for Federal Direct Stafford Loans and
9 Federal Direct Unsubsidized Stafford Loans
10 issued to undergraduate students for the 12-
11 month period beginning on July 1, 2013 and
12 ending on June 30, 2014;

13 “(B) in any case where the original loan
14 was a loan under section 428 or 428H, a Fed-
15 eral Direct Stafford Loan, or a Federal Direct
16 Unsubsidized Stafford Loan, that was issued to
17 a graduate or professional student, a rate equal
18 to the rate for Federal Direct Unsubsidized
19 Stafford Loans issued to graduate or profes-
20 sional students for the 12-month period begin-
21 ning on July 1, 2013 and ending on June 30,
22 2014;

23 “(C) in any case where the original loan
24 was a loan under section 428B or a Federal Di-
25 rect PLUS Loan, a rate equal to the rate for

1 Federal Direct PLUS Loans for the 12-month
2 period beginning on July 1, 2013 and ending
3 on June 30, 2014; and

4 “(D) in any case where the original loan
5 was a loan under section 428C or a Federal Di-
6 rect Consolidation Loan, a rate equal to the
7 rate for Federal Direct PLUS Loans for the
8 12-month period beginning on July 1, 2013 and
9 ending on June 30, 2014.

10 “(2) FIXED RATE.—The applicable rate of in-
11 terest determined under paragraph (1) for a re-
12 issued loan under this section shall be fixed for the
13 period of the loan.

14 “(d) TERMS AND CONDITIONS OF LOANS.—

15 “(1) IN GENERAL.—A loan that is reissued
16 under this section shall have the same terms and
17 conditions as the original loan, except as otherwise
18 provided in this section.

19 “(2) NO AUTOMATIC EXTENSION OF REPAY-
20 MENT PERIOD.—Reissuing a loan under this section
21 shall not result in the extension of the duration of
22 the repayment period of the loan, and the borrower
23 shall retain the same repayment term that was in ef-
24 fect on the original loan. Nothing in this paragraph
25 shall be construed to prevent a borrower from elect-

1 ing a different repayment plan at any time in ac-
2 cordance with section 455(d)(3).

3 “(3) ADMINISTRATIVE FEE.—The Secretary
4 shall charge the borrower of a loan reissued under
5 this section an administrative fee of not more than
6 0.5 percent of the sum of the unpaid principal, and
7 accrued unpaid interest and late charges, of the
8 original loan.

9 “(e) DEFINITION OF QUALIFIED BORROWER.—

10 “(1) IN GENERAL.—For purposes of this sec-
11 tion, the term ‘qualified borrower’ means a bor-
12 rower—

13 “(A) of a loan under this part or part B
14 for which the first disbursement was made, or
15 the application for a consolidation loan was re-
16 ceived, before July 1, 2013; and

17 “(B) who meets the eligibility requirements
18 based on income or debt-to-income ratio estab-
19 lished by the Secretary.

20 “(2) INCOME REQUIREMENTS.—Not later than
21 180 days after the date of enactment of the Bank
22 on Students Emergency Loan Refinancing Act, the
23 Secretary shall establish eligibility requirements
24 based on income or debt-to-income ratio that take
25 into consideration providing access to refinancing

1 under this section for borrowers with the greatest fi-
2 nancial need.

3 “(f) EXPIRATION OF AUTHORITY.—The Secretary’s
4 authority to reissue loans under this section shall expire
5 on the date that is determined in accordance with section
6 4 of the Bank on Students Emergency Loan Refinancing
7 Act.

8 **“SEC. 460B. FEDERAL DIRECT REFINANCED PRIVATE LOAN**
9 **PROGRAM.**

10 “(a) DEFINITIONS.—In this section:

11 “(1) ELIGIBLE PRIVATE EDUCATION LOAN.—
12 The term ‘eligible private education loan’ means a
13 private education loan, as defined in section 140 of
14 the Truth in Lending Act (15 U.S.C. 1650), that—

15 “(A) was disbursed to the borrower before
16 July 1, 2013; and

17 “(B) was for the borrower’s own postsec-
18 ondary educational expenses for an eligible pro-
19 gram at an institution of higher education par-
20 ticipating in the loan program under this part,
21 as of the date that the loan was disbursed.

22 “(2) FEDERAL DIRECT REFINANCED PRIVATE
23 LOAN.—The term ‘Federal Direct Refinanced Pri-
24 vate Loan’ means a loan issued under subsection
25 (b)(1).

1 “(3) PRIVATE EDUCATIONAL LENDER.—The
2 term ‘private educational lender’ has the meaning
3 given the term in section 140 of the Truth in Lend-
4 ing Act (15 U.S.C. 1650).

5 “(4) QUALIFIED BORROWER.—The term ‘quali-
6 fied borrower’ means an individual who—

7 “(A) has an eligible private education loan;

8 “(B) has been current on payments on the
9 eligible private education loan for the last 6
10 months and is in good standing on the loan;

11 “(C) is not in default on the eligible pri-
12 vate education loan or on any loan made, in-
13 sured, or guaranteed under this part or part B
14 or E; and

15 “(D) meets the eligibility requirements
16 based on income or debt-to-income ratio estab-
17 lished by the Secretary under subsection (b)(2).

18 “(b) PROGRAM AUTHORIZED.—

19 “(1) IN GENERAL.—The Secretary, in consulta-
20 tion with the Secretary of Treasury, shall carry out
21 a program under which the Secretary, upon applica-
22 tion by a qualified borrower who has an eligible pri-
23 vate education loan, shall issue such borrower a loan
24 under this part in accordance with the following:

1 “(A) The loan issued under this program
2 shall be in an amount equal to the sum of the
3 unpaid principal, accrued unpaid interest, and
4 late charges of the private education loan and
5 the origination fee under subsection (f).

6 “(B) The Secretary shall pay the proceeds
7 of the loan issued under this program to the
8 private educational lender of the private edu-
9 cation loan, in order to discharge the qualified
10 borrower from any remaining obligation to the
11 original lender with respect to the original loan.

12 “(C) The Secretary shall require that the
13 qualified borrower undergo loan counseling that
14 provides all of the information and counseling
15 required under clauses (i) through (viii) of sec-
16 tion 485(b)(1)(A) before the loan is reissued in
17 accordance with this section, and before the
18 proceeds of such loan are paid to the private
19 educational lender.

20 “(D) The Secretary shall issue the loan as
21 a Federal Direct Refinanced Private Loan,
22 which shall have the same terms, conditions,
23 and benefits as a Federal Direct Unsubsidized
24 Stafford Loan, except as otherwise provided in
25 this section.

1 “(2) INCOME REQUIREMENTS.—Not later than
2 180 days after the date of enactment of the Bank
3 on Students Emergency Loan Refinancing Act, the
4 Secretary shall establish eligibility requirements
5 based on income or debt-to-income ratio that take
6 into consideration providing access to refinancing
7 under this section for borrowers with the greatest fi-
8 nancial need.

9 “(c) INTEREST RATE.—

10 “(1) IN GENERAL.—The interest rate for a
11 Federal Direct Refinanced Private Loan is—

12 “(A) in the case of a Federal Direct Refi-
13 nanced Private Loan for a private education
14 loan originally issued for undergraduate post-
15 secondary educational expenses, a rate equal to
16 the rate for Federal Direct Stafford Loans and
17 Federal Direct Unsubsidized Stafford Loans
18 issued to undergraduate students for the 12-
19 month period beginning on July 1, 2013 and
20 ending on June 30, 2014; and

21 “(B) in the case of a Federal Direct Refi-
22 nanced Private Loan for a private education
23 loan originally issued for graduate or profes-
24 sional degree postsecondary educational ex-
25 penses, a rate equal to the rate for Federal Di-

1 rect Unsubsidized Stafford Loans issued to
2 graduate or professional students for the 12-
3 month period beginning on July 1, 2013 and
4 ending on June 30, 2014.

5 “(2) COMBINED UNDERGRADUATE AND GRAD-
6 UATE STUDY LOANS.—If a Federal Direct Refi-
7 nanced Private Loan is for a private educational
8 loan originally issued for both undergraduate and
9 graduate or professional postsecondary educational
10 expenses, the interest rate shall be a rate equal to
11 the rate for Federal Direct PLUS Loans for the 12-
12 month period beginning on July 1, 2013 and ending
13 on June 30, 2014.

14 “(3) FIXED RATE.—The applicable rate of in-
15 terest determined under this subsection for a Fed-
16 eral Direct Refinanced Private Loan shall be fixed
17 for the period of the loan.

18 “(d) NO INCLUSION IN AGGREGATE LIMITS.—The
19 amount of a Federal Direct Refinanced Private Loan, or
20 a Federal Direct Consolidated Loan to the extent such
21 loan was used to repay a Federal Direct Refinanced Pri-
22 vate Loan, shall not be included in calculating a bor-
23 rower’s annual or aggregate loan limits under section 428
24 or 428H.

1 “(e) NO ELIGIBILITY FOR SERVICE-RELATED REPAY-
2 MENT.—Notwithstanding sections 428K(a)(2)(A),
3 428L(b)(2), 455(m)(3)(A), and 460(b), a Federal Direct
4 Refinanced Private Loan, or any Federal Direct Consoli-
5 dation Loan to the extent such loan was used to repay
6 a Federal Direct Refinanced Private Loan, shall not be
7 eligible for any loan repayment or loan forgiveness pro-
8 gram under section 428K, 428L, or 460 or for the repay-
9 ment plan for public service employees under section
10 455(m).

11 “(f) ORIGINATION FEE.—The Secretary shall charge
12 the borrower of a Federal Direct Refinanced Private Loan
13 an origination fee that equals the origination fee charged
14 for Federal Direct Unsubsidized Stafford Loans disbursed
15 on the date upon which the Federal Direct Refinanced
16 Private Loan is issued.

17 “(g) EXPIRATION OF AUTHORITY.—The Secretary’s
18 authority to reissue loans under this section shall expire
19 on the date that is determined in accordance with section
20 4 of the Bank on Students Emergency Loan Refinancing
21 Act.”.

22 (c) AMENDMENTS TO PUBLIC SERVICE REPAYMENT
23 PLAN PROVISIONS.—Section 455(m) of the Higher Edu-
24 cation Act of 1965 (20 U.S.C. 1087e(m)) is amended—

1 (1) by redesignating paragraphs (3) and (4) as
2 paragraphs (4) and (5), respectively; and

3 (2) by inserting after paragraph (2) the fol-
4 lowing:

5 “(3) SPECIAL RULES FOR SECTION 460A
6 LOANS.—

7 “(A) REFINANCED FEDERAL DIRECT
8 LOANS.—Notwithstanding paragraph (1), in de-
9 termining the number of monthly payments
10 that meet the requirements of such paragraph
11 for an eligible Federal Direct Loan reissued
12 under section 460A that was originally a loan
13 under this part, the Secretary shall include all
14 monthly payments made on the original loan
15 that meet the requirements of such paragraph.

16 “(B) REFINANCED FFEL LOANS.—In the
17 case of an eligible Federal Direct Loan reissued
18 under section 460A that was originally a loan
19 under part B, only monthly payments made
20 after the date on which the loan was reissued
21 may be included for purposes of paragraph
22 (1).”; and

23 (3) in paragraph (4)(A) (as redesignated by
24 paragraph (1)), by inserting “(including any Federal
25 Direct Stafford Loan, Federal Direct PLUS Loan,

1 Federal Direct Unsubsidized Stafford Loan, or Fed-
2 eral Direct Consolidation Loan reissued under sec-
3 tion 460A)” before the period at the end.

4 (d) INCOME-BASED REPAYMENT.—Section 493C of
5 the Higher Education Act of 1965 (20 U.S.C. 1098e) is
6 amended by adding at the end the following:

7 “(f) SPECIAL RULE FOR REFINANCED LOANS.—

8 “(1) REFINANCED FEDERAL DIRECT AND FFEL
9 LOANS.—In calculating the period of time during
10 which a borrower of a loan that is reissued under
11 section 460A has made monthly payments for pur-
12 poses of subsection (b)(7), the Secretary shall deem
13 the period to include all monthly payments made for
14 the original loan, and all monthly payments made
15 for the reissued loan, that otherwise meet the re-
16 quirements of this section.

17 “(2) FEDERAL DIRECT REFINANCED PRIVATE
18 LOANS.—In calculating the period of time during
19 which a borrower of a Federal Direct Refinanced
20 Private Loan under section 460B has made monthly
21 payments for purposes of subsection (b)(7), the Sec-
22 retary shall include only payments—

23 “(A) that are made after the date of the
24 issuance of the Federal Direct Refinanced Pri-
25 vate Loan; and

1 “(B) that otherwise meet the requirements
2 of this section.”.

3 **SEC. 3. FAIR SHARE TAX ON HIGH-INCOME TAXPAYERS.**

4 (a) **IN GENERAL.**—Subchapter A of chapter 1 of the
5 Internal Revenue Code of 1986 is amended by adding at
6 the end the following new part:

7 **“PART VII—FAIR SHARE TAX ON HIGH-INCOME**
8 **TAXPAYERS**

“Sec. 59B. Fair share tax.

9 **“SEC. 59B. FAIR SHARE TAX.**

10 “(a) **GENERAL RULE.**—

11 “(1) **PHASE-IN OF TAX.**—In the case of any
12 high-income taxpayer, there is hereby imposed for a
13 taxable year (in addition to any other tax imposed
14 by this subtitle) a tax equal to the product of—

15 “(A) the amount determined under para-
16 graph (2), and

17 “(B) a fraction (not to exceed 1)—

18 “(i) the numerator of which is the ex-
19 cess of—

20 “(I) the taxpayer’s adjusted
21 gross income, over

22 “(II) the dollar amount in effect
23 under subsection (c)(1), and

1 “(ii) the denominator of which is the
2 dollar amount in effect under subsection
3 (c)(1).

4 “(2) AMOUNT OF TAX.—The amount of tax de-
5 termined under this paragraph is an amount equal
6 to the excess (if any) of—

7 “(A) the tentative fair share tax for the
8 taxable year, over

9 “(B) the excess of—

10 “(i) the sum of—

11 “(I) the regular tax liability (as
12 defined in section 26(b)) for the tax-
13 able year,

14 “(II) the tax imposed by section
15 55 for the taxable year, plus

16 “(III) the payroll tax for the tax-
17 able year, over

18 “(ii) the credits allowable under part
19 IV of subchapter A (other than sections
20 27(a), 31, and 34).

21 “(b) TENTATIVE FAIR SHARE TAX.—For purposes
22 of this section—

23 “(1) IN GENERAL.—The tentative fair share tax
24 for the taxable year is 30 percent of the excess of—

1 “(A) the adjusted gross income of the tax-
2 payer, over

3 “(B) the modified charitable contribution
4 deduction for the taxable year.

5 “(2) MODIFIED CHARITABLE CONTRIBUTION
6 DEDUCTION.—For purposes of paragraph (1)—

7 “(A) IN GENERAL.—The modified chari-
8 table contribution deduction for any taxable
9 year is an amount equal to the amount which
10 bears the same ratio to the deduction allowable
11 under section 170 (section 642(c) in the case of
12 a trust or estate) for such taxable year as—

13 “(i) the amount of itemized deduc-
14 tions allowable under the regular tax (as
15 defined in section 55) for such taxable
16 year, determined after the application of
17 section 68, bears to

18 “(ii) such amount, determined before
19 the application of section 68.

20 “(B) TAXPAYER MUST ITEMIZE.—In the
21 case of any individual who does not elect to
22 itemize deductions for the taxable year, the
23 modified charitable contribution deduction shall
24 be zero.

1 “(c) HIGH-INCOME TAXPAYER.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘high-income tax-
4 payer’ means, with respect to any taxable year, any
5 taxpayer (other than a corporation) with an adjusted
6 gross income for such taxable year in excess of
7 \$1,000,000 (50 percent of such amount in the case
8 of a married individual who files a separate return).

9 “(2) INFLATION ADJUSTMENT.—

10 “(A) IN GENERAL.—In the case of a tax-
11 able year beginning after 2015, the \$1,000,000
12 amount under paragraph (1) shall be increased
13 by an amount equal to—

14 “(i) such dollar amount, multiplied by

15 “(ii) the cost-of-living adjustment de-
16 termined under section 1(f)(3) for the cal-
17 endar year in which the taxable year be-
18 gins, determined by substituting ‘calendar
19 year 2014’ for ‘calendar year 1992’ in sub-
20 paragraph (B) thereof.

21 “(B) ROUNDING.—If any amount as ad-
22 justed under subparagraph (A) is not a multiple
23 of \$10,000, such amount shall be rounded to
24 the next lowest multiple of \$10,000.

1 “(d) PAYROLL TAX.—For purposes of this section,
2 the payroll tax for any taxable year is an amount equal
3 to the excess of—

4 “(1) the taxes imposed on the taxpayer under
5 sections 1401, 1411, 3101, 3201, and 3211(a) (to
6 the extent such taxes are attributable to the rate of
7 tax in effect under section 3101) with respect to
8 such taxable year or wages or compensation received
9 during the taxable year, over

10 “(2) the deduction allowable under section
11 164(f) for such taxable year.

12 “(e) SPECIAL RULE FOR ESTATES AND TRUSTS.—
13 For purposes of this section, in the case of an estate or
14 trust, adjusted gross income shall be computed in the
15 manner described in section 67(e).

16 “(f) NOT TREATED AS TAX IMPOSED BY THIS CHAP-
17 TER FOR CERTAIN PURPOSES.—The tax imposed under
18 this section shall not be treated as tax imposed by this
19 chapter for purposes of determining the amount of any
20 credit under this chapter (other than the credit allowed
21 under section 27(a)) or for purposes of section 55.”.

22 (b) CONFORMING AMENDMENT.—Section 26(b)(2) of
23 the Internal Revenue Code of 1986 is amended by redesignig-
24 nating subparagraphs (C) through (X) as subparagraphs

1 (D) through (Y), respectively, and by inserting after sub-
2 paragraph (B) the following new subparagraph:

3 “(C) section 59B (relating to fair share
4 tax),”.

5 (c) CLERICAL AMENDMENT.—The table of parts for
6 subchapter A of chapter 1 of the Internal Revenue Code
7 of 1986 is amended by adding at the end the following
8 new item:

 “PART VII—FAIR SHARE TAX ON HIGH-INCOME TAXPAYERS”.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2014.

12 **SEC. 4. DEFICIT NEUTRAL IMPLEMENTATION OF STUDENT**
13 **LOAN REFINANCING PROGRAMS.**

14 (a) AMOUNT OF REVENUE.—The Secretary of Edu-
15 cation shall estimate the amount that is equal to the
16 amounts of the net increase in revenues received in the
17 Treasury during the 10 year period beginning on the date
18 of enactment of the Bank on Students Emergency Loan
19 Refinancing Act attributable to the amendments made by
20 section 3 of the Bank on Students Emergency Loan Refi-
21 nancing Act.

22 (b) DEFICIT-NEUTRAL TERMINATION OF THE REFI-
23 NANCING PROGRAM.—The Secretary of Education shall
24 terminate the refinancing programs carried out under sec-
25 tions 460A and 460B of the Higher Education Act of

1 1965 on the date that the net cost of carrying out such
2 refinancing programs is equal to the amount of additional
3 revenue estimated under subsection (a).

4 (c) METHODOLOGY.—When estimating costs and rev-
5 enues under this section, the Secretary shall utilize the
6 accounting methods and assumptions that are used by the
7 Congressional Budget Office, as of the date of enactment
8 of this Act, to make such estimations.