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 (for herself, Mrs. Boxer, Mrs. Murray, Mr. Durbin, Mr. Reed, Ms. Landrieu, Ms. Stabenow, Mr. Brown, Mr. Whitehouse, Mr. Udall of Colorado, Mr. Udall of New Mexico, Mrs. Shaheen, Mr. Merkley, Mr. Begich, Mrs. Gillibrand, Mr. Franken, Mr. Blumenthal, Mr. Schatz, Ms. Baldwin, Mr. Murphy, Ms. Hirono, Ms. Heitkamp, Mr. Markey, and Mr. Booker) 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”.


SEC. 2. REFINANCING PROGRAMS.

(a) Program Authority.—Section 451(a) of the Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is amended—

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

and

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

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

“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT LOANS.

“(a) In General.—Beginning not later than 180 days after the date of enactment of the Bank on Students Emergency Loan Refinancing Act, the Secretary shall establish a program under which the Secretary, upon the receipt of an application from a qualified borrower, reissues the borrower’s original loan under this part or part B as a loan under this part, in accordance with the provisions of this section, in order to permit the borrower to obtain the interest rate provided under subsection (c).

“(b) Reissuing Loans.—

“(1) Federal Direct Loans.—Upon application of a qualified borrower, the Secretary shall re-
issue a Federal Direct Stafford Loan, a Federal Direct
Unsubsidized Stafford Loan, a Federal Direct
PLUS Loan, or a Federal Direct Consolidation
Loan of the qualified borrower, for which the first
disbursement was made, or the application for the
consolidation loan was received before July 1, 2013,
in an amount equal to the sum of—

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

and

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

“(2) DISCHARGING AND REISSUING FFEL PRO-
GRAM LOANS AS REFINANCED FEDERAL DIRECT
LOANS.—Upon application of a qualified borrower
for any loan that was made, insured, or guaranteed
under part B and for which the first disbursement
was made, or the application for the consolidation
loan was received, before July 1, 2010, the Secretary
shall reissue such loan as a loan under this part, in
an amount equal to the sum of the unpaid principal,
accrued unpaid interest, and late charges of the
original loan and the administrative fee under sub-
section (d)(3), to the borrower in accordance with
the following:
“(A) The Secretary shall pay the proceeds of such reissued loan to the eligible lender of the loan made, insured, or guaranteed under part B, in order to discharge the borrower from any remaining obligation to the lender with respect to the original loan.

“(B) The Secretary shall reissue—

“(i) a loan originally made, insured, or guaranteed under section 428 as a Federal Direct Stafford Loan;

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

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

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

“(C) The interest rate for each loan reissued under this paragraph shall be the rate provided under subsection (e).

“(e) INTEREST RATES.—
“(1) IN GENERAL.—The interest rate for the
reissued Federal Direct Stafford Loans, Federal Di-
rect Unsubsidized Stafford Loans, Federal Direct
PLUS Loans, and Federal Direct Consolidation
Loans, shall be a rate equal to—

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

“(B) in any case where the original loan
was a loan under section 428 or 428H, a Fed-
eral Direct Stafford Loan, or a Federal Direct
Unsubsidized Stafford Loan, that was issued to
a graduate or professional student, a rate equal
to the rate for Federal Direct Unsubsidized
Stafford Loans issued to graduate or profes-
sional students for the 12-month period begin-
ing on July 1, 2013, and ending on June 30,
2014;
“(C) in any case where the original loan was a loan under section 428B or a Federal Direct PLUS Loan, a rate equal to the rate for Federal Direct PLUS Loans for the 12-month period beginning on July 1, 2013, and ending on June 30, 2014; and

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

“(2) FIXED RATE.—The applicable rate of interest determined under paragraph (1) for a reissued loan under this section shall be fixed for the period of the loan.

“(d) TERMS AND CONDITIONS OF LOANS.—

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

“(2) NO AUTOMATIC EXTENSION OF REPAYMENT PERIOD.—Reissuing a loan under this section shall not result in the extension of the duration of the repayment period of the loan, and the borrower
shall retain the same repayment term that was in effect on the original loan. Nothing in this paragraph shall be construed to prevent a borrower from electing a different repayment plan at any time in accordance with section 455(d)(3).

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

“(e) Definition of Qualified Borrower.—

“(1) In General.—For purposes of this section, the term ‘qualified borrower’ means a borrower—

“(A) of a loan under this part or part B for which the first disbursement was made, or the application for a consolidation loan was received, before July 1, 2013; and

“(B) who meets the eligibility requirements based on income or debt-to-income ratio established by the Secretary.

“(2) Income Requirements.—Not later than 180 days after the date of enactment of the Bank on Students Emergency Loan Refinancing Act, the
Secretary shall establish eligibility requirements based on income or debt-to-income ratio that take into consideration providing access to refinancing under this section for borrowers with the greatest financial need.

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

“SEC. 460B. FEDERAL DIRECT REFINANCED PRIVATE LOAN PROGRAM.

“(a) DEFINITIONS.—In this section:

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

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

“(B) was for the borrower’s own postsecondary educational expenses for an eligible program at an institution of higher education participating in the loan program under this part, as of the date that the loan was disbursed.
“(2) **Federal direct refinanced private loan.**—The term ‘Federal Direct Refinanced Private Loan’ means a loan issued under subsection (b)(1).

“(3) **Private educational lender.**—The term ‘private educational lender’ has the meaning given the term in section 140 of the Truth in Lending Act (15 U.S.C. 1650).

“(4) **Qualified borrower.**—The term ‘qualified borrower’ means an individual who—

“(A) has an eligible private education loan;

“(B) has been current on payments on the eligible private education loan for the 6 months prior to the date of the qualified borrower’s application for refinancing under this section, and is in good standing on the loan at the time of such application;

“(C) is not in default on the eligible private education loan or on any loan made, insured, or guaranteed under this part or part B or E; and

“(D) meets the eligibility requirements based on income or debt-to-income ratio established by the Secretary under subsection (b)(2).

“(b) **Program Authorized.**—
“(1) IN GENERAL.—The Secretary, in consultation with the Secretary of Treasury, shall carry out a program under which the Secretary, upon application by a qualified borrower who has an eligible private education loan, shall issue such borrower a loan under this part in accordance with the following:

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

“(B) The Secretary shall pay the proceeds of the loan issued under this program to the private educational lender of the private education loan, in order to discharge the qualified borrower from any remaining obligation to the lender with respect to the original loan.

“(C) The Secretary shall require that the qualified borrower undergo loan counseling that provides all of the information and counseling required under clauses (i) through (viii) of section 485(b)(1)(A) before the loan is reissued in accordance with this section, and before the proceeds of such loan are paid to the private educational lender.
“(D) The Secretary shall issue the loan as a Federal Direct Refinanced Private Loan, which shall have the same terms, conditions, and benefits as a Federal Direct Unsubsidized Stafford Loan, except as otherwise provided in this section.

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

“(c) INTEREST RATE.—

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

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

“(B) in the case of a Federal Direct Refi-
nanced Private Loan for a private education
loan originally issued for graduate or profes-
sional degree postsecondary educational ex-
penses, a rate equal to the rate for Federal Di-
rect Unsubsidized Stafford Loans issued to
graduate or professional students for the 12-
month period beginning on July 1, 2013, and
ending on June 30, 2014.

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

“(3) FIXED RATE.—The applicable rate of in-
terest determined under this subsection for a Fed-
eral Direct Refinanced Private Loan shall be fixed
for the period of the loan.
“(d) No Inclusion in Aggregate Limits.—The amount of a Federal Direct Refinanced Private Loan, or a Federal Direct Consolidated Loan to the extent such loan was used to repay a Federal Direct Refinanced Private Loan, shall not be included in calculating a borrower’s annual or aggregate loan limits under section 428 or 428H.

“(e) No Eligibility for Service-related Repayment.—Notwithstanding sections 428K(a)(2)(A), 428L(b)(2), 455(m)(3)(A), and 460(b), a Federal Direct Refinanced Private Loan, or any Federal Direct Consolidation Loan to the extent such loan was used to repay a Federal Direct Refinanced Private Loan, shall not be eligible for any loan repayment or loan forgiveness program under section 428K, 428L, or 460 or for the repayment plan for public service employees under section 455(m).

“(f) Origination Fee.—The Secretary shall charge the borrower of a Federal Direct Refinanced Private Loan an origination fee that equals the origination fee charged for Federal Direct Unsubsidized Stafford Loans disbursed on the date upon which the Federal Direct Refinanced Private Loan is issued.

“(g) Expiration of Authority.—The Secretary’s authority to reissue loans under this section shall expire
on the date that is determined in accordance with section 4 of the Bank on Students Emergency Loan Refinancing Act.”.

(c) Amendments to Public Service Repayment Plan Provisions.—Section 455(m) of the Higher Education Act of 1965 (20 U.S.C. 1087e(m)) is amended—

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

(2) by inserting after paragraph (2) the following:

“(3) Special rules for section 460A loans.—

“(A) Refinanced Federal Direct Loans.—Notwithstanding paragraph (1), in determining the number of monthly payments that meet the requirements of such paragraph for an eligible Federal Direct Loan reissued under section 460A that was originally a loan under this part, the Secretary shall include all monthly payments made on the original loan that meet the requirements of such paragraph.

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

(3) in paragraph (4)(A) (as redesignated by paragraph (1)), by inserting “(including any Federal Direct Stafford Loan, Federal Direct PLUS Loan, Federal Direct Unsubsidized Stafford Loan, or Federal Direct Consolidation Loan reissued under section 460A)” before the period at the end.

(d) Income-based Repayment.—Section 493C of the Higher Education Act of 1965 (20 U.S.C. 1098e) is amended by adding at the end the following:

“(f) Special Rule for Refinanced Loans.—

“(1) Refinanced Federal Direct and FFEL Loans.—In calculating the period of time during which a borrower of a loan that is reissued under section 460A has made monthly payments for purposes of subsection (b)(7), the Secretary shall deem the period to include all monthly payments made for the original loan, and all monthly payments made for the reissued loan, that otherwise meet the requirements of this section.

“(2) Federal Direct Refinanced Private Loans.—In calculating the period of time during which a borrower of a Federal Direct Refinanced
Private Loan under section 460B has made monthly payments for purposes of subsection (b)(7), the Secretary shall include only payments—

“(A) that are made after the date of the issuance of the Federal Direct Refinanced Private Loan; and

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

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

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

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

“Sec. 59B. Fair share tax.

“SEC. 59B. FAIR SHARE TAX.

“(a) GENERAL RULE.—

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

“(A) the amount determined under paragraph (2), and

“(B) a fraction (not to exceed 1)—
“(i) the numerator of which is the excess of—

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

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

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

“(2) AMOUNT OF TAX.—The amount of tax determined under this paragraph is an amount equal to the excess (if any) of—

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

“(B) the excess of—

“(i) the sum of—

“(I) the regular tax liability (as defined in section 26(b)) for the taxable year,

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

“(III) the payroll tax for the taxable year, over
“(ii) the credits allowable under part IV of subchapter A (other than sections 27(a), 31, and 34).

“(b) Tentative Fair Share Tax.—For purposes of this section—

“(1) In general.—The tentative fair share tax for the taxable year is 30 percent of the excess of—

“(A) the adjusted gross income of the taxpayer, over

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

“(2) Modified charitable contribution deduction.—For purposes of paragraph (1)—

“(A) In general.—The modified charitable contribution deduction for any taxable year is an amount equal to the amount which bears the same ratio to the deduction allowable under section 170 (section 642(c) in the case of a trust or estate) for such taxable year as—

“(i) the amount of itemized deductions allowable under the regular tax (as defined in section 55) for such taxable year, determined after the application of section 68, bears to
“(ii) such amount, determined before the application of section 68.

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

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

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

“(2) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of a taxable year beginning after 2015, the $1,000,000 amount under paragraph (1) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar
year 2014’ for ‘calendar year 1992’ in sub-
paragraph (B) thereof.

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

“(d) Payroll Tax.—For purposes of this section,
the payroll tax for any taxable year is an amount equal
to the excess of—

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

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

“(e) Special Rule for Estates and Trusts.—
For purposes of this section, in the case of an estate or
trust, adjusted gross income shall be computed in the
manner described in section 67(e).

“(f) Not Treated as Tax Imposed by This Chap-
ter for Certain Purposes.—The tax imposed under
this section shall not be treated as tax imposed by this
chapter for purposes of determining the amount of any
credit under this chapter (other than the credit allowed under section 27(a)) or for purposes of section 55.”.

(b) CONFORMING AMENDMENT.—Section 26(b)(2) of the Internal Revenue Code of 1986 is amended by redesignating subparagraphs (C) through (X) as subparagraphs (D) through (Y), respectively, and by inserting after subparagraph (B) the following new subparagraph:

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

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

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

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

SEC. 4. DEFICIT NEUTRAL IMPLEMENTATION OF STUDENT LOAN REFINANCING PROGRAMS.

(a) AMOUNT OF REVENUE.—The Secretary of Education shall estimate the amount that is equal to the amount of the net increase in revenue received in the Treasury during the 10 year period beginning on the date of enactment of the Bank on Students Emergency Loan Refinancing Act attributable to the amendments made by
section 3 of the Bank on Students Emergency Loan Refinancing Act.

(b) **Deficit-Neutral Termination of the Refinancing Program.**—The Secretary of Education shall terminate the refinancing programs carried out under sections 460A and 460B of the Higher Education Act of 1965 on the date that the net cost of carrying out such refinancing programs is equal to the amount of additional revenue estimated under subsection (a).

(c) **Methodology.**—When estimating cost and revenue under this section, the Secretary shall utilize the accounting methods and assumptions that are used by the Congressional Budget Office, as of the date of enactment of this Act, to make such estimations.