

118TH CONGRESS
1ST SESSION

S. _____

To amend the Higher Education Act of 1965 to provide for Federal student loan reform.

IN THE SENATE OF THE UNITED STATES

Mr. RUBIO 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 Federal student loan reform.

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 “Leveraging Opportuni-
5 ties for Americans Now Act of 2023” or the “LOAN Act
6 of 2023”.

1 **SEC. 2. ELIMINATION OF INTEREST AND REPLACEMENT**
2 **WITH FINANCING FEES.**

3 Section 455 of the Higher Education Act of 1965 (20
4 U.S.C. 1087e) is amended by adding at the end the fol-
5 lowing:

6 “(r) **ELIMINATION OF INTEREST AND REPLACEMENT**
7 **WITH FINANCING FEES.—**

8 “(1) **IN GENERAL.—**

9 “(A) **IN GENERAL.—**Except as provided
10 under subparagraph (B), beginning on July 1,
11 2024, the Secretary shall make loans under this
12 part in accordance with this subsection.

13 “(B) **EXCEPTION.—**Beginning on July 1,
14 2024, the Secretary shall make loans under this
15 part in accordance with the provisions of this
16 part other than this subsection to a borrower
17 who—

18 “(i) was enrolled in an institution of
19 higher education on June 30, 2024; and

20 “(ii) elects to borrow a loan under
21 this part in accordance with the provisions
22 of this part other than this subsection.

23 “(2) **ELIMINATION OF INTEREST.—**For loans
24 made under this part in accordance with this sub-
25 section for which the first disbursement is made on

1 or after July 1, 2024, the applicable rate of interest
2 shall be equal to 0 percent.

3 “(3) FINANCING FEES.—

4 “(A) IN GENERAL.—Beginning on July 1,
5 2024, the Secretary shall charge the borrower
6 of a loan made under this part in accordance
7 with this subsection a financing fee determined
8 in accordance with this paragraph and issued
9 on the date the loan is dispersed.

10 “(B) DETERMINATION OF FEE.—The fi-
11 nancing fee for a borrower of a loan made
12 under this part—

13 “(i) that is used for enrollment in an
14 undergraduate course of study (except a
15 Federal Direct PLUS Loan made on be-
16 half of a dependent student), shall be equal
17 to, from the principal amount of the loan,
18 20 percent of the amount of such loan;

19 “(ii) that is used for enrollment in a
20 course of study necessary for enrollment in
21 a program leading to a degree or certifi-
22 cate, shall be equal to, from the principal
23 amount of the loan, 20 percent of the
24 amount of such loan;

1 “(iii) that is used for enrollment in a
2 program that is necessary for a profes-
3 sional credential or certification from a
4 State that is required for employment as a
5 teacher in an elementary or secondary
6 school in that State, shall be equal to,
7 from the principal amount of the loan, 20
8 percent of the amount of such loan; and

9 “(iv) that is a Federal Direct PLUS
10 Loan made on behalf of a dependent stu-
11 dent or used for enrollment in a graduate
12 or professional course of study, shall be
13 equal to, from the principal amount of the
14 loan, 35 percent of the amount of such
15 loan.

16 “(C) REDUCTION DUE TO PREPAYMENT.—

17 “(i) IN GENERAL.—In order to pro-
18 vide an incentive to borrowers to pay the
19 balance of a loan made under this part
20 earlier than required under the applicable
21 repayment plan, the Secretary may credit
22 or refund any such borrowers for an
23 amount of the financing fee charged under
24 this subsection.

25 “(ii) REGULATIONS.—

1 “(I) IN GENERAL.—Not later
2 than 9 months after the date of enact-
3 ment of the Leveraging Opportunities
4 for Americans Now Act of 2023, the
5 Secretary shall promulgate regulations
6 establishing the methodology for cred-
7 iting or refunding a financing fee
8 charged under this subsection pursu-
9 ant to clause (i). Such credit or re-
10 fund shall not reduce the financing
11 fee by more than—

12 “(aa) with respect to a bor-
13 rower whose income, as deter-
14 mined under subclause (II), was
15 not more than \$45,000 in the
16 taxable year in which the bor-
17 rower paid an amount from the
18 balance of a loan made under
19 this part earlier than required
20 under the applicable repayment
21 plan, 15 percentage points of
22 such amount;

23 “(bb) with respect to a bor-
24 rower whose income, as deter-
25 mined under subclause (II), was

1 more than \$45,000 but not more
2 than \$95,000 in the taxable year
3 in which the borrower paid an
4 amount from the balance of a
5 loan made under this part earlier
6 than required under the applica-
7 ble repayment plan, 10 percent-
8 age points of such amount; and

9 “(cc) with respect to a bor-
10 rower whose income, as deter-
11 mined under subclause (II), was
12 more than \$95,000 in the taxable
13 year in which the borrower paid
14 an amount from the balance of a
15 loan made under this part earlier
16 than required under the applica-
17 ble repayment plan, 5 percentage
18 points of such amount.

19 “(II) INCOME DETERMINA-
20 TION.—For purposes of subclause (I),
21 a borrower’s income is equal to the
22 amount by which—

23 “(aa) the borrower’s, and
24 the borrower’s spouse’s (if appli-

1 cable), adjusted gross income; ex-
2 ceeds

3 “(bb) 150 percent of the
4 poverty line applicable to the bor-
5 rower’s family size as determined
6 under section 673(2) of the Com-
7 munity Services Block Grant Act
8 (42 U.S.C. 9902(2)).

9 “(D) METHODOLOGY OF PAYMENT.—The
10 Secretary shall establish an amortization sched-
11 ule for the repayment of financing fees charged
12 under this subsection.

13 “(4) RULEMAKING FOR CONSOLIDATION.—Not
14 later than 18 months after the date of enactment of
15 the Leveraging Opportunities for Americans Now
16 Act of 2023, the Secretary shall promulgate rules re-
17 garding Federal Direct Consolidation Loans made
18 under this part in accordance with this subsection,
19 including a rule that the financing fee for such a
20 Federal Direct Consolidation Loan determined in ac-
21 cordance with this subsection shall not exceed the
22 sum of the financing fees applicable to the consoli-
23 dated loans.”.

1 **SEC. 3. INCOME DEPENDENT EDUCATION ASSISTANCE RE-**
2 **PAYMENT PLAN.**

3 Part D of title IV of the Higher Education Act of
4 1965 (20 U.S.C. 1087a et seq.) is amended by adding at
5 the end the following:

6 **“SEC. 460A. INCOME DEPENDENT EDUCATION ASSISTANCE**
7 **REPAYMENT PLAN.**

8 “(a) IN GENERAL.—

9 “(1) APPLICABILITY.—Notwithstanding any
10 other provision of this Act, with respect to any loan
11 made under this part after the date of enactment of
12 the Leveraging Opportunities for Americans Now
13 Act of 2023, the repayment plan options are only a
14 10-year fixed repayment plan and the repayment
15 plan under this section. If the borrower of the loan
16 does not select a repayment plan, the repayment of
17 such loan shall be made in accordance with this sec-
18 tion. A borrower of a loan made under this part
19 after the date of enactment of the Leveraging Op-
20 portunities for Americans Now Act of 2023 may af-
21 firmatively select the repayment plan under this sec-
22 tion.

23 “(2) REGULATIONS.—Not later than 18 months
24 after the date of enactment of the Leveraging Op-
25 portunities for Americans Now Act of 2023, the Sec-
26 retary shall promulgate rules—

1 “(A) outlining how the Department will
2 implement the income dependent education as-
3 sistance repayment plan requirements for bor-
4 rowers under this section; and

5 “(B) regarding monthly repayment proc-
6 esses for borrowers of loans made under this
7 part before the date of enactment of the
8 Leveraging Opportunities for Americans Now
9 Act of 2023.

10 “(3) RULE OF CONSTRUCTION.—Nothing in
11 this section shall be construed to eliminate or other-
12 wise affect the loan forgiveness or loan cancellation
13 options available under this part to a borrower.

14 “(b) DUTIES OF THE SECRETARY OF THE TREAS-
15 URY.—

16 “(1) IN GENERAL.—The Secretary of the
17 Treasury shall, with respect to each individual for
18 whom a loan made under this part after the date of
19 enactment of the Leveraging Opportunities for
20 Americans Now Act of 2023 is in repayment status,
21 transmit to the Secretary of Education—

22 “(A) in the case of such an individual who
23 files an income tax return for such taxable year,
24 such tax information as is necessary to deter-
25 mine the individual’s repayment obligation and

1 financing fee adjustments, as determined by the
2 Secretary under this part; and

3 “(B) in the case of any such individual
4 who does not file a return for such taxable year,
5 any available tax information of the individual
6 as may be necessary to determine such obliga-
7 tion and whether such individual is delinquent
8 under the terms of such loan for not so filing.

9 “(2) ADDITIONAL PROGRAM REQUIREMENTS.—

10 The Secretary of the Treasury shall establish such
11 other policies, procedures, and guidance as may be
12 necessary to carry out the purposes of this section,
13 including measures to prevent underreporting and
14 evasion of repayment or filing.

15 “(c) DUTIES OF THE SECRETARY OF EDUCATION.—

16 “(1) IN GENERAL.—The Secretary shall carry
17 out, as part of the loan repayment plan established
18 under this section, the following activities:

19 “(A) CALCULATION OF ANNUAL REPAY-
20 MENT AMOUNTS.—The Secretary shall calculate
21 the annual repayment amount under this sec-
22 tion for borrowers with 1 or more loans made
23 under this part after the date of enactment of
24 the Leveraging Opportunities for Americans
25 Now Act of 2023 in repayment status for one

1 or more months in the taxable year for which
2 the amount is determined regardless of which
3 repayment plan the borrower is in, including
4 the repayment obligations of such borrowers in
5 accordance with subsection (d)(3).

6 “(B) COMMUNICATION WITH THE SEC-
7 RETARY OF THE TREASURY.—The Secretary
8 shall transmit to the Secretary of the Treasury
9 such information as is necessary for the Sec-
10 retary of the Treasury to carry out subsection
11 (d)(3).

12 “(C) ANNUAL STATEMENTS.—Upon calcu-
13 lating the annual repayment amounts under
14 subparagraph (A) for a taxable year, the Sec-
15 retary shall provide a statement, on an annual
16 basis, to each borrower with a loan made under
17 this part after the date of enactment of the
18 Leveraging Opportunities for Americans Now
19 Act of 2023 regardless of which repayment plan
20 the borrower is in, which lists the following:

21 “(i) Total payments made on the bor-
22 rower’s annual repayment amount for such
23 taxable year.

24 “(ii) The borrower’s annual repay-
25 ment amount for such taxable year.

1 rower, except as provided through the
2 appeals process described in clause
3 (ii).

4 “(ii) APPEALS PROCESS.—The Sec-
5 retary shall make available a process
6 through which a borrower can appeal for
7 refund of payments made under clause (i)
8 that exceed the annual repayment amount
9 for the year if such payments were made
10 pursuant to improper wage garnishment.

11 “(E) APPEALS PROCESS.—

12 “(i) IN GENERAL.—The Secretary
13 shall make available a process through
14 which a borrower can appeal the calcula-
15 tion of the borrower’s annual repayment
16 amount, including a worksheet that en-
17 ables a borrower to calculate the bor-
18 rower’s annual repayment amount.

19 “(ii) GOOD STANDING.—A borrower
20 who makes an appeal under clause (i) with
21 respect to a loan shall be considered in
22 good standing on such loan during the du-
23 ration of the appeal.

24 “(iii) REGULATIONS.—The Secretary
25 shall issue regulations outlining such proc-

1 ess not later than 18 months after the date
2 of enactment of the Leveraging Opportuni-
3 ties for Americans Now Act of 2023.

4 “(F) DELINQUENT FOR FAILURE TO FILE
5 A RETURN.—

6 “(i) IN GENERAL.—In a case in which
7 the Secretary receives information from
8 the Secretary of the Treasury under sub-
9 section (b) that a borrower with a loan
10 made under this part after the date of en-
11 actment of the Leveraging Opportunities
12 for Americans Now Act of 2023 in repay-
13 ment status in the repayment plan under
14 this section, has failed to file a return
15 under section 6012(a)(1) of the Internal
16 Revenue Code of 1986 and such borrower
17 was required to file such a return, the Sec-
18 retary shall—

19 “(I) notify the borrower of the
20 borrower’s failure to file such a re-
21 turn; and

22 “(II) if the borrower fails to file
23 such a return within 90 days of re-
24 ceipt of the notice described in sub-
25 clause (I), consider the borrower’s

1 loans made under this part after the
2 date of enactment of the Leveraging
3 Opportunities for Americans Now Act
4 of 2023 in repayment status in the re-
5 payment plan under this section to be
6 delinquent.

7 “(ii) APPEALS PROCESS.—The Sec-
8 retary shall make available a process
9 through which a borrower can appeal a de-
10 termination under clause (i) that the bor-
11 rower has failed to file a return under sec-
12 tion 6012(a)(1) of the Internal Revenue
13 Code of 1986 and such borrower was re-
14 quired to file such a return. The Secretary
15 shall issue regulations outlining such proc-
16 ess not later than 18 months after the date
17 of enactment of the Leveraging Opportuni-
18 ties for Americans Now Act of 2023.

19 “(G) MONTHLY PAYMENTS PROCESS.—The
20 Secretary shall—

21 “(i) establish a monthly payments
22 process described in paragraph (2); and

23 “(ii) issue regulations establishing
24 penalties for default on such monthly pay-
25 ments.

1 “(H) CALCULATING LOAN FORGIVENESS.—

2 The Secretary shall determine appropriate loan
3 forgiveness options for students who select the
4 repayment plan under this section.

5 “(I) FINANCIAL HARDSHIPS.—

6 “(i) IN GENERAL.—The Secretary
7 shall establish a process for providing an
8 adjustment in both the monthly payment
9 and annual repayment amount obligations
10 on a loan for a borrower experiencing ex-
11 treme unforeseen financial circumstances
12 unrelated to a change in annual income.

13 “(ii) REPAYMENT STATUS.—A bor-
14 rower who receives an adjustment under
15 clause (i) for a loan shall be deemed in re-
16 payment status with respect to such loan.

17 “(2) MONTHLY PAYMENTS PROCESS.—

18 “(A) IN GENERAL.—The Secretary shall
19 establish a process under which a borrower, or
20 one making payments on behalf of a borrower
21 under paragraph (1)(D), shall make monthly
22 payments towards the borrower’s annual repay-
23 ment amount.

24 “(B) INFORMATION REQUIRED.—The pro-
25 cedure for initiating the monthly payments

1 process under subparagraph (A) shall include
2 an income estimate based on the income
3 verification provided by the Secretary of the
4 Treasury under subsection (b).

5 “(C) AUTOMATIC CONTINUATION.—The
6 monthly payments process shall continue until
7 the borrower’s loans made under this part after
8 the date of enactment of the Leveraging Oppor-
9 tunities for Americans Now Act of 2023 are re-
10 paid.

11 “(D) UPDATING PAYMENT AMOUNTS.—

12 “(i) SECRETARY.—The Secretary
13 shall automatically recalculate a borrower’s
14 monthly payment amount—

15 “(I) at the beginning of a new
16 taxable year using the most recent in-
17 come estimate provided under sub-
18 section (b)(1) by the Secretary of the
19 Treasury; and

20 “(II) not later than 30 days after
21 the date the borrower’s income esti-
22 mate is adjusted after an appeal
23 under paragraph (1)(E).

24 “(ii) BORROWER.—A borrower may
25 request that the Secretary update the bor-

1 borrower's income estimate to adjust monthly
2 payment amounts pursuant to subpara-
3 graph (E) or (I) of paragraph (1) at any
4 time.

5 “(d) BORROWER REPAYMENT.—

6 “(1) REPAYMENT PERIOD.—The repayment pe-
7 riod of a loan in the repayment plan under this sec-
8 tion shall—

9 “(A) begin on the first day of the first tax-
10 able year that begins after the borrower's in-
11 school deferment period; and

12 “(B) continue until the loan is paid in full,
13 except that the Secretary may grant a borrower
14 deferment of the borrower's annual repayment
15 amount—

16 “(i) for a period not to exceed 60
17 days, due to administrative or technical
18 reasons;

19 “(ii) for a period not to exceed 3
20 months, due to unusual circumstances that
21 disrupt the borrower's ability to make
22 timely payments on the loan; or

23 “(iii) renewable at 12-month intervals
24 for a period not to exceed 3 years, due to

1 documented extreme economic hardship on
2 the part of a borrower.

3 “(2) PREPAYMENT AUTHORIZED.—A borrower
4 shall have the right to prepay all or part of such
5 loan, at any time and without penalty. Any such pre-
6 payment amount shall be applied in accordance with
7 section 455(r)(3)(C).

8 “(3) DETERMINATION OF INCOME-BASED RE-
9 PAYMENT OBLIGATION.—

10 “(A) IN GENERAL.—The repayment obliga-
11 tion under this section with respect to an indi-
12 vidual for any taxable year is an amount equal
13 to 10 percent of the amount by which—

14 “(i) the individual’s, and the individ-
15 ual’s spouse’s (if applicable), adjusted
16 gross income; exceeds

17 “(ii) 150 percent of the poverty line
18 applicable to the borrower’s family size as
19 determined under section 673(2) of the
20 Community Services Block Grant Act (42
21 U.S.C. 9902(2)).

22 “(B) EXCLUSION OF CERTAIN AMOUNTS
23 PAID ON BEHALF OF INDIVIDUAL.—Any
24 amount paid on the borrower’s behalf under
25 subsection (c)(1)(D) shall not be taken into ac-

1 count in determining such borrower's income-
2 based repayment obligation.

3 “(C) INDIVIDUALS NOT FILING A RE-
4 TURN.—The income-based repayment obligation
5 with respect to an individual not required to file
6 a return under section 6012(a)(1) of the Inter-
7 nal Revenue Code of 1986 shall be treated as
8 zero.”.